

Employee Retention Credit

As we move into 2022, one of the top things Bible Colleges and Seminaries should be looking into is whether you qualify for the ERC (Employee Retention Credit). Actually, there are two credits here: ERC 2020 and ERC 2021 – they ARE different.

See NOTE below!

For both credits, your institution may be eligible in a given quarter in one of two ways:

1. the operation of the institution's trade or business is fully or partially suspended due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to the coronavirus disease COVID-19, or
2. the institution experiences a decline in gross receipts.

The ERC's are calculated on a quarter-by -quarter basis from March 13, 2020 through September 30, 2021.

For ERC20, the requirement is a drop in gross receipts of more than 50% comparing the 2020 quarter with that of 2019. For ERC21, the required decrease is more than 20% in a Q1, Q2, or Q3 of 2021 compared to the corresponding quarter in 2019.

ERC20 offers a 50% credit on a maximum of \$10,000 per employee per year.

ERC21 contains a 70% credit on a max of \$10,000 per employee per quarter.

If your institution is eligible for ERC20 or ERC21, use [Form 941-X](#) to claim the credit. We are seeing refunds take at least 6 - 9 months for employers to receive

****Remember:** No “double dipping” – if you used payroll amounts for PPP1 or PPP2 forgiveness or for HEERF expenditure reimbursements, you must exclude those amounts from the wages used in calculating the ERC's.

The IRS has great sets of FAQs regarding the ERC's. The most recent guidance for ERC21 is IRS Notice 2021-65.

NOTE: When filing Form 941-x for various quarters to apply for the Employee Retention Credit (ERC), be VERY DILIGENT to read and follow the instructions. Carefully ensure that the amounts in Part 3, Column 4 are NEGATIVE amounts. Otherwise, you could wait 8 or 9 months and receive a notice from the IRS stating that you OWE the amount of what you thought was a credit!

For Form 941-X - The amounts in Columns 1, 2, and 3 of each of the affected lines (i.e. 18a and 26a) should be positive. Only Column 4 should be negative. (It is not very sensible.) Also, REMEMBER to complete Part 4, Line 43.

From the 941-X instructions:

Copy the amount in column 3 to column 4. However, to properly show the amount as a credit or balance due item, enter a positive number in column 3 as a negative number in column 4...

Here is the IRS' "Example" for how to complete Form 941-X, Part 3 (using Line 17):

To properly show the credit increase as a reduction to your tax balance, enter the positive number in column 3 as a negative number in column 4. Here is how you would enter the numbers on Form 941-X, line 17.

Column 1 (corrected amount)	Column 2 (Form 941, line 11b)	Column 3 (difference)	Column 4 (tax correction)
2,000.00	1,000.00	1,000.00	-1,000.00

Be sure to explain the reasons for this correction on line 43.