

MEMO

Date: June 26, 2020
To: Pastors and Administrators
From: Mary Jo Jungwirth, Director
Re: CARES Act – Employee Retention Credit

The Paycheck Protection Program (PPP) is widely regarded as the most beneficial provision of the CARES Act that provides relief to organizations impacted by COVID-19. However, for those organizations that opted to forgo obtaining a PPP loan, the employee retention credit is another provision available that is worth considering.

The employee retention credit is a refundable payroll tax credit equal to 50% of certain compensation (including health benefits) paid by eligible employers from March 13, 2020 to December 31, 2020. An eligible employer is one whose:

- Operations were fully or partially suspended due to a COVID-19 related shut-down order, or
- Gross receipts declined by more than 50% when compared to the same quarter in the prior year. The employer remains an eligible employer in subsequent quarters until the gross receipts exceed 80% of gross receipts compared to the same quarter for the prior year.

For employers with 100 or fewer employees, any compensation paid during the period when the operations were fully or partially suspended or during a quarter in which gross receipts have significantly declined are eligible for the credit, even if paid to an employee who is still working.

The credit is limited to the first \$10,000 of compensation paid to a particular worker. The credit is not available for compensation taken into account in computing the sick leave or family medical leave credits under the Families First Coronavirus Response Act. Similarly, the credit is not available to employers who take advantage of a small business interruption loan under the paycheck protection program.

For more information, please visit the CLA COVID-19 Resources page and the Internal Revenue Service website.

- <https://www.claconnect.com/campaign/covid-19>
- <https://www.irs.gov/coronavirus/employee-retention-credit>

How CLA Can Help

CLA can assist on a consulting basis with calculating the employee retention credit, as well as answer any questions that you may have.

CLA Contact Information

Larry Adams, CPA
Principal
Larry.Adams@CLAconnect.com
612-226-4523

Alex Hengel, CPA
Manager
Alex.Hengel@CLAconnect.com
763-225-6157

Bill LeClaire, CPA
Principal
William.LeClaire@CLAconnect.com
320-203-5521