



This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

Another Option for Small Nonprofits Struggling to Keep Employees: Employee Retention Credit

Small nonprofits that do not receive funding through the PPP or the EIDL programs have another option to consider. The Employee Retention Credit (ERC), which was enacted as part of the CARES Act, is designed to encourage eligible employers to keep employees on their payroll through the use of payroll tax credits. The amount of the tax credit is 50% of qualifying wages paid up to \$10,000 per employee in total. Wages eligible for the credit are those paid after March 12, 2020, and before January 1, 2021 to employees that are not providing services because operations were suspended or because of a decline in gross receipts due to COVID-19. Wages taken into account are not limited to cash payments, but also include a portion of the cost of employer provided health care. Employers that receive loans under the PPP are not eligible for the ERC, and employers that obtain tax credits under the FFCRA cannot apply the ERC to the same wages.

Employers can be immediately reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees' wages by the amount of the credit. Eligible employers will report their total qualified wages and the related health insurance costs for each quarter on their quarterly employment tax returns or Form 941 beginning with the second quarter of 2020. If the employer's employment tax deposits are not sufficient to cover the credit, the employer may receive an advance payment from the IRS by submitting Form 7200, Advance Payment of Employer Credits Due to COVID-19. For more information, see this [news release](#) from the IRS and the IRS's [FAQs on ERC](#).

PBPA has also put together a [helpful chart](#) comparing the PPP, EIDL and ERC.