



The Employee Retention Credit

May 31, 2022

Numerous school leaders have contacted the AACCS office requesting guidance about the Employee Retention Credit. We have investigated, requested information from other organizations, attended meetings about the credit, and sought clarification from the USDOE. Following are a few of the more significant questions and answers and a link to the best resource we have been able to identify on the issue. The resource is provided to AACCS schools by the CPA firm of Batts Morrison Wales & Lee. I contacted this firm for guidance because throughout COVID they have provided outstanding information and webinars for the Evangelical Council for Financial Accountability, the organization that accredits AACCS financial procedures and reports. Throughout COVID, their recommendations and webinars have been very helpful and very accurate.

Q: Does a Christian school qualify for the ERC?

A: Most likely, yes. The two primary qualifiers are (1) a COVID-related significant decline in gross receipts, or (2) reduced or suspended operations due to a federal, state, or local mandate. Most Christian schools meet one or both qualifiers.

Q: How much is the credit?

A: Credits typically are several thousand dollars per employee. The maximum is about \$20,000 per employee for most businesses.

Q: Is the credit considered Federal Financial Assistance (FFA) and does accepting the credit subject a Christian school to federal non-discrimination standards?

A: This was/is the most significant decision to AACCS leadership. To date, there is **no** statement from a federal agency affirming that ERC funds are not FFA. However, most experts, including the CPA firm providing the guidance document for AACCS, are very definite that ERC is not FFA. Other Christian school associations, including ACSI, are advising their member schools that ERC is not FFA. The basic argument is that tax credits are not funds provided to the organization and thus are not FFA—there is no need for an affirmation from a federal agency because there are no funds being provided by a federal agency.

Q: How much time do we have?

A: The credit can be claimed on **amended** returns as late as three years after the filing deadlines, so schools still have about two years to file amended returns.

Q: Should we claim ERC funds?

A: That's a question your ministry leadership will have to weigh. We have worked diligently to provide accurate information for you. Our only purpose in providing this information is to give you the most accurate data we can in response to your questions. We have hesitated because of the FFA question, but the level of risk that ERC recipients would ever be considered FFA recipients appears to be very low. Reputable financial advisers say there is no measurable risk.

Q: If we are interested in pursuing ERC, what do we do next?

A: Review the [guidance document from Batts Morrison Wales & Lee](#) and consult with a CPA. Determining eligibility and completing amended returns will require the services of a CPA. The Batts Morrison firm **is available** to assist AACCS member schools with this process, for their standard fees. There is a link provided at the end of the guidance document.

Jeff Walton, executive director