

**eZERC** → presents:

# Rural Hospitals are Leaving Money on the Table

Employee Retention Credit  
Qualifications



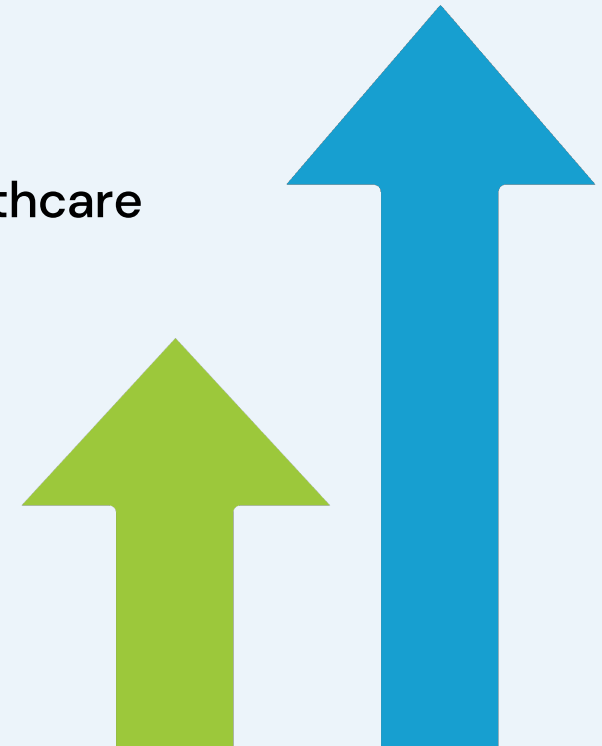
Introducing *today's host*



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VP Client Services

# THIS IS **What you'll learn**

- 1 Employee Retention Credit (ERC) 101
- 2 Common ERC Eligibility Misconceptions in Healthcare
- 3 ERC Case Study
- 4 What to Look Out For In an ERC Advisor





# ERC 101

# CARES Act

## Paycheck Protection Program (PPP)

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- The first COVID-19 relief taken by most organizations
- Forgivable loan
- Only to be used for qualified expenses – payroll, rent, etc.

## Employee Retention Credit (ERC)

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- Unlike PPP, no allocation of funds by the Small Business Administration – ERC is from U.S. Treasury
- Unlike PPP, ERC is a cash refund that can be used in any manner
- Credit earned on wages not utilized for PPP forgiveness (i.e., no double dipping)

“ **As of December 2020, it was no longer the PPP or ERC, you could take both.** What is the ERC? It's a payroll tax credit and it's refundable, meaning it's a cash credit. It's available to businesses that either had a financial statement impact because of COVID-19 or had an operational impact, where they had to change or modify the way they did business as a result of the COVID-19 restrictions. ”

– Kenneth Dettman, CEO & Managing Director

# How much can an organization claim?

The **maximum** amount an employer can receive for any W2 employee is \$26,000.

Funds available per W2 employee are as follows:

TIME PERIOD	CREDITS AVAILABLE
March 13, 2020 – December 31, 2020	<b>\$5,000</b> (50% of the first \$10,000 earned in the period)
Q1 2021	<b>\$7,000</b> (70% of the first \$10,000 earned in the period)
Q2 2021	<b>\$7,000</b> (70% of the first \$10,000 earned in the period)
Q3 2021	<b>\$7,000</b> (70% of the first \$10,000 earned in the period)

# How does an organization become *eligible* for the ERC?

## TEST #1 Substantial Decline in Gross Receipts Test

Did your  
gross receipts  
decline by:

▶ **50%** *Per quarter*  
comparing each quarter in 2020  
to the same quarter in 2019?


▶ **20%** *Per quarter*  
comparing Q1, Q2 and Q3 of 2021  
to the same quarter in 2019?

## TEST #2 Partial Suspension Of Operations Test

Was your  
organization's  
ability to provide  
goods or services  
restricted or  
modified by a  
COVID executive  
order?

▶ If so, would your company  
have been able to provide  
**10%** *in additional  
goods or services*  
if such COVID executive  
orders were never  
enacted?

# How EZ-ERC approaches the full or partial suspension analysis for healthcare organizations



## Four-Pronged Approach:

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- 1 Can your operations be broken down into “portions” or “segments”?
- *Services and/or procedures provided;*
  - *Groups served;*
  - *Locations where services are delivered, etc.*
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- 2 What COVID-19 governmental orders imposing mandated restrictions affected your organization during the pandemic?
- *Social distancing & capacity restrictions;*
  - *Increased sanitization & disinfection;*
  - *COVID-related absences & quarantine;*
  - *Changes in the format of the service, etc.*
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- 3 What changes or modifications did you make to your business operations to comply with these governmental orders?
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- 4 What was the impact? Was there a “more than nominal” (>10%) impact on the operations of the segment/portion?
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# Common *ERC Eligibility Misconceptions* in Healthcare

## Misconception

Our organization  
is too large to  
qualify



Your organization can qualify for the 2020 credit if you had 100 or fewer average monthly full-time W-2 employees in 2019 and the 2021 credit based on an increased threshold of 500 employees in 2019.

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Not all employees count towards the limitation – only full-time W-2 employees from 2019 count.

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Full-time employees are those W-2 employees who work at least 130 hours per month.

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Aggregation rules must be considered to accurately determine which employees must be counted.

misconception:

Our organization took non-PPP government funding and therefore we aren't eligible



This is a case-by-case consideration:

- ❖ Health and Human Services (HHS) has explicitly said that ERC does not constitute “other assistance” (i.e., reimbursement of payroll costs) and therefore it does not negate the availability of ERC.
- ❖ ERC is calculated based on the amount of wages but it is not a reimbursement of those wages or payroll outside of the Employer-Paid FICA reimbursement (i.e., the nonrefundable piece). It's a refundable payroll tax credit.

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Requirements are dependent on grants received.

*We recommend working with someone who understands the intricacies of federal and state funding.*

misconception:

Facilities that didn't  
experience revenue  
declines aren't eligible



Many U.S. healthcare facilities have *dismissed the possibility* of ERC eligibility due to stable or increased revenue over the tested eligibility period (i.e. 2020–2021)

There are two clear ways to know if you qualify for the ERC:

- the Significant Decline in Gross Receipts test (financial statement test); or
- the full or partial suspension of operations test (governmental order test).

You do not need to satisfy both.

The suspension of operations test takes *specialized knowledge* and is difficult to assess without the support of a qualified advisor.

misconception:

Our organization in  
an instrumentality of  
the government  
and/or a nonprofit  
and therefore doesn't  
qualify



Many U.S. healthcare facilities have *dismissed the possibility* of ERC eligibility due to being an instrumentality of the government and/or a nonprofit.

The revised legislation in the Consolidated Appropriations Act of 2021 made it permissible for government instrumentalities to take the ERC, provided their principal purpose was to provide medical or hospital care.

Section 2301(f) of the CARES Act, as amended by Section 207(d)(3)(A) of the Relief Act, provides that the employee retention credit is not available to the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (governmental entity).

However, the language of *amended section 2301(f)(2)* provides that in the case of *any governmental entity* that is a college or university, or the principal purpose or function of which is *providing medical or hospital care*, the entity shall be treated as satisfying the trade or business requirement in section 2301(c)(2)(A)(i).

**Accordingly, these entities may be eligible employers for the first and second calendar quarters of 2021, assuming they satisfy the other requirements to be eligible employers.**



# *ERC* Case Study



CASE STUDY

# Gila Regional Medical Center

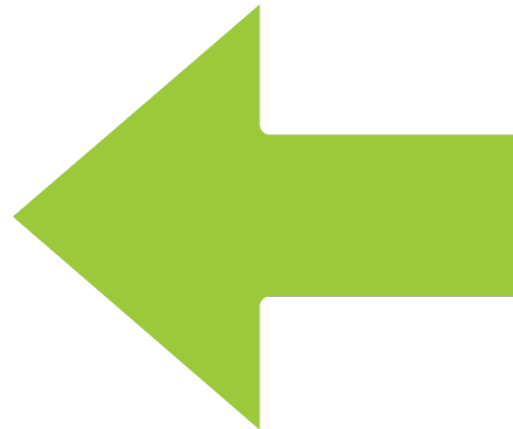
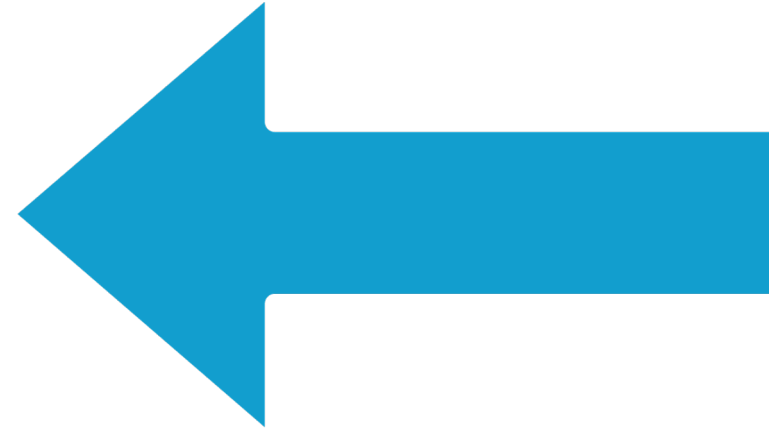
EZ-ERC has found eligibility for Gila Regional Medical Center to claim an ERC in the amount of \$7.5 million.



# The Result for Gila Regional Medical Center

- **FTE Count:** – 415 FTE (560 W2)
- **Partial Suspension:**
  - Emergency Department represented 13.8% of revenue in 2019
  - Emergency Department revenue was down between 20%-29%
- **Eligible Employer:** Q1, Q2, and Q3 2021

**Total ERC Claim: \$7.5 million**







# What To Look For In An *ERC Advisor*

# What to look for in a qualified advisor?



**1. Tax Guidance:** Kenneth Dettman (former partner at Alvarez & Marsal and Co-Head of their ERC Taskforce) signs every ERC filing as paid preparer; thereby taking responsibility for our clients' ERC tax positions;

**2. Legal Guidance:** We work side-by-side with some of the top law firms in the country specializing in the ERC and even work with several lawyers who were integral in writing the ERC legislation;

**3. Legal Opinion:** EZ-ERC pays for a tax attorney to prepare a legal analysis and/or opinion, where applicable, substantiating our clients' ERC legal eligibility; thereby taking responsibility for our clients' ERC legal positions;

**4. Timing:** We can finalize and submit an ERC claim to the IRS within a month from the time a client signs our engagement; and

**5. Price:** EZ-ERC generally charges 10-20% of the credit (competitors generally charge 15-30%).

# What is the *engagement timeline?*



## Engagement Letter

Client signs an engagement letter with EZ-ERC.



## Credit Calculation

EZ-ERC calculates client's credit amount to the penny.



## Legal Opinion

EZ-ERC pays for a tax attorney to prepare a legal analysis and/or opinion, where applicable.



## IRS Filing

EZ-ERC files client's ERC claim with the IRS.



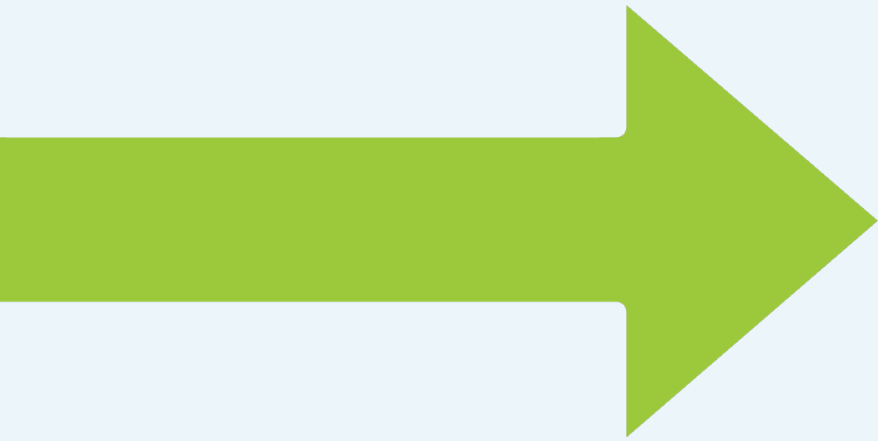
## Client Receives ERC Checks

Client receives ERC checks from the U.S. Treasury.

# If you've already filed for an ERC claim, but did any of the following, you should consider a second look:

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- "Blacked out" your entire PPP Covered Period from ERC eligibility
- Did not fully evaluate partial suspension through the end of local social distancing orders
- Used W2 count instead of FTE count



# Q&A

For additional information or questions contact Lauren at [lauren.ginsburg@ez-erc.com](mailto:lauren.ginsburg@ez-erc.com)