




Tax Credits and Deductions

September 14, 2023



Employee Retention Credit

- ▶ Covid 19 – Mandated government shutdowns.
 - ▶ Credit available to all businesses affected economically, including churches and schools.
 - ▶ Applies from April of 2020 to September of 2021.
 - ▶ Requirements to qualify – full or partial shutdown and a significant decline in revenue.
 - ▶ Potential for large refunds from the IRS.
- 



Employee Retention Credit Examples of Refunds

- ▶ Example 1: Ten employees who earn \$10,000 from April to December 2020, the parish could receive \$50,000 for 2020. Credit is 50% of wages.
- ▶ **(10 Employees x \$10,000) = \$100,000 x 50% = \$50,000**
- ▶ Example 2: For 2021 credit increased significantly to 70% per quarter for the first 3 quarter. If the same ten employees earned \$10,000 per quarter during 2021, the credit would be \$210,000.
- ▶ **(10 Employees x 3 quarters x \$10,000) = \$300,000 x 70% = \$210,000**



Employee Retention Credit How to Apply

- ▶ Computations required to determine if qualify.
- ▶ If qualify, amended employment tax returns are filed.
- ▶ Deadlines for filing:
 - ▶ Tax year 2020 – deadline is April 15, 2024.
 - ▶ 3 Quarters of 2021 – deadline is April 15, 2025.



Employee Retention Credit

Warning!!! Beware


- ▶ Lot of unscrupulous companies that are charging large fees to assist with credit.
- ▶ Claiming to be “Tax Professionals” – contracts claim they will not be held responsible.
- ▶ Contracts state they will not represent you if the IRS audits your claim.
- ▶ Fees based on percentage of how big of a refund they can generate.
- ▶ IRS Dirty Dozen list of tax scams that the IRS is auditing.



Employee Retention Credit Recommendations

- ▶ **Our recommendation:**
- ▶ Use a Reputable CPA or Accountant to complete analysis and filing.
- ▶ Should have a contract and also recommend having this reviewed by an attorney.
- ▶ Understand your organization's liability and what the firm will do on your behalf if there are inquiries from the IRS.

- ▶ **We recommend looking at using CLA.**
- ▶ CLA is a reputable firm to complete these claims for parishes and schools.
- ▶ Fees at this time are \$300 per employee for each claim. 2020 is one claim and 2021 would be 3 claims for each quarter.
- ▶ They will assist with IRS inquiries.
- ▶ They do not charge for the analysis to determine if you qualify for a refund.
- ▶ We have already reviewed their contracts.



Inflation Reduction Act of 2022

Investment Tax Credit – Energy Property

- ▶ First time every – churches and schools can qualify.
- ▶ Solar panels and geothermal systems most common.
- ▶ Basic credit is 6% of qualified investment.
- ▶ Additional requirements met – could be 30% of qualified investment.
- ▶ Since no income tax returns are filed, the credits will have to be transferred to a business that could use the credits on their tax returns. The parish or school would receive cash for their credits.
- ▶ Procedures are very complicated. If planning for one of the projects, please contact the Finance Department for recommendations for reputable CPA firms for assistance.
- ▶ Effective 1/1/2023 through 12/31/2032.



Inflation Reduction Act of 2022 Energy Efficient Commercial Buildings Deductions

- ▶ Provision has been in the law since 2006.
- ▶ Changed to allow deduction for all tax exempt entities, including churches and schools.
- ▶ Builder or Contractor would receive the deduction and lower the cost to the church or school.
- ▶ Also very complicated provision that requires professional assistance.
- ▶ Examples include:
 - ▶ Building Expansion, new building
 - ▶ Upgrading lights to LED's
 - ▶ New HVAC system



Annual Financial Report

- ▶ Due to the Diocese September 30th
 - ▶ Be sure to include the Annual Financial Report for June 30, 2023.
 - ▶ Please reach out to the Finance Department with questions.
- 