

SITUATION

A property management company comprised of multiple entities was made aware of the Employee Retention Credit, and felt that they might meet the eligibility requirements necessary to claim it. The company's CFO outreached directly to TCG for a free ERC scoping assessment.

Looking at both tax years 2020 and 2021, TCG assessed the business for eligibility under both the "Gross Receipts" test and the "Partial Suspension" test.

Initially, TCG underwent a thorough review of the company's various tax entities, revenue details and payroll filings. The assessment revealed that the business did not meet the gross receipts during 2020 or 2021. Thus, TCG concluded that the business was not eligible for the ERC under the Gross Receipts Test.

ASSESSMENT FINDINGS

Next, TCG interviewed various employees of the organization to understand the impact that the COVID-19 Pandemic had on its business operations. Facts and circumstances from these discussions revealed that at the outset of the Pandemic, the business was forced to comply with various government mandates, including federal and state eviction moratoriums. These moratoriums, which were initially implemented by the federal governments Centers for Disease Control and Prevention (CDC), were also supplemented by a number of state jurisdictions, which issued their own orders. Thus, the property management company was forced comply with these moratoriums which ultimately prevented the business from evicting a significant number of its apartment residents for nonpayment, and subsequently prevented the business from renting-out these same properties to alternate tenants who were capable of paying for them.

Based upon these facts and circumstances, underlying data that was requested and analyzed by TCG further revealed that the government mandates inflicted upon this business had a more than nominal impact of 10% or more on the overall business operations. For example, records revealed that between Q1 2020 and Q1 2021, approximately 15% of the management company's renters were delinquent in rent payments. In comparison, the average rent delinquency in 2019 was less than 2%.

OUTCOME

The multi-year analysis performed by TCG revealed that the business was eligible to claim the ERC in 2020 and 2021 under the "Partial Suspension" test, as government mandates did indeed have a more than nominal impact on the overall business operations.

In total, TCG was able to help the property management company save over \$3MM in payroll taxes due to the ERC credit, and was able to efficiently document the underlying findings, so to properly substantiate the credit claims.