

# COVID-19: What You Need to Know About the CARES Act

*Exempt Organization  
Update*



April 3, 2020

1

## TODAY'S PRESENTERS



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2

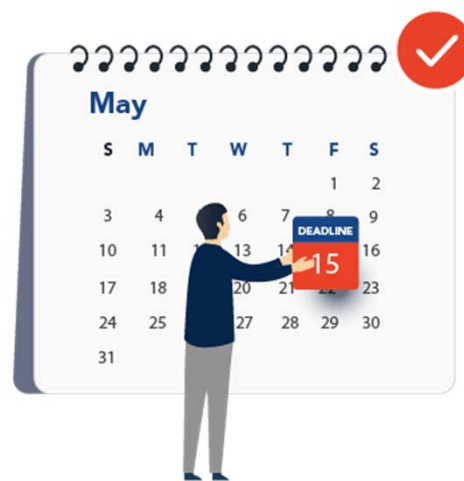
## HEADLINES FOR TODAY'S TALK – CARES ACT

1. Charitable contribution changes
2. Employer tax changes
3. Paycheck Protection Program



3

**TAX DAY IS  
POSTPONED, BUT  
NOT FOR FORM 990  
RETURNS DUE MAY  
15TH!**



4

# CHARITABLE CONTRIBUTIONS



5

## CHARITABLE CONTRIBUTIONS

- C Corporations
  - Limitation increased from 10% to 25%
- Individuals
  - 100% AGI limitation for CASH contributions to public charities
  - \$300 “above the line” deduction
- RMD Waiver – Qualified Charitable Distribution impact?



6

# EMPLOYER TAX PROVISIONS



7

## EMPLOYEE RETENTION CREDIT (“ERC”)

- Refundable against 6.2% employer portion of Social Security tax
- New payroll tax credit for employers carrying on a trade or business in 2020 that pay wages when:
  - Their business operations are fully or partially suspended due to an order from and “appropriate government authority”, OR
  - Their gross receipts experienced a significant decline (50% or greater) for a quarter as compared to the same quarter in 2019
- 501(c)(3) organizations qualify!
- Employers taking a loan under the Paycheck Protection Program are NOT eligible.



8

## ERC CALCULATION

- 50% of “qualified wages” (including group health insurance) of each employee, limited to \$10,000, paid March 13<sup>th</sup> - December 31<sup>st</sup>
- “Qualified wages” depends on employer size

100 or fewer average employees in 2019 - *all employee wages are eligible* (up to \$10,000 per employee) regardless of whether the employee is furloughed.

More than 100 average number of full-time employees in 2019 - only the wages of affected employees who are not working are eligible.



9

## DELAY IN PAYMENT OF SOCIAL SECURITY TAX

- Employers may defer the 6.2% employer portion of Social Security tax from the date of enactment through the end of 2020
  - 50% due 12/31/2021
  - 50% due 12/31/2022
- Employer’s share of Medicare (1.45%) and employee’s share of Social Security and Medicare are not allowed in the deferral
- Employers taking a loan under the Paycheck Protection Program do not qualify.



10

# PAYCHECK PROTECTION PROGRAM “PPP”



11

## PAYCHECK PROTECTION PROGRAM (PPP)

- Authorizes \$349 billion in loans backed by SBA in loans intended to cover payroll, benefits, mortgage interest, rent, and utilities
- **How much can I borrow?**
  - Up to 2.5 times the average total monthly payroll costs incurred in the year prior to the loan date
  - Special rules if not operational in 2019 or if seasonal
  - Loan cannot exceed \$10 million
- **Where do I go to borrow this money?**
  - Banks, credit unions, and lenders issue the loans
- **Who is eligible?**
  - Must have fewer than 500 employees
  - Section 501(c) exempt organizations included
- **Terms and conditions**
  - Interest rate cannot exceed 1%
  - Payments deferred 6 months to 1 year
  - Loans have a 2-year term



12

## PAYCHECK PROTECTION PROGRAM (PPP) CONTINUED

- Can be forgiven and turned into a non-taxable grant if:
  - Used for an approved purpose within 8 weeks of loan origination
  - Average size of full-time workforce maintained
- Forgiveness equal to the sum of:
  - Payroll (up to \$100,000 per person)
  - Mortgage interest
  - Rent obligations
  - Utilities
- Forgiveness reduction if:
  - Average full-time equivalent decreases
  - For any employee who did not earn during any period in 2019 wages at an annualized rate more than \$100,000, the amount of ANY reduction in wages that is greater than 25% compared to their most recent full quarter.
  - Special rule for bringing back employees



13

<https://www.bstco.com>



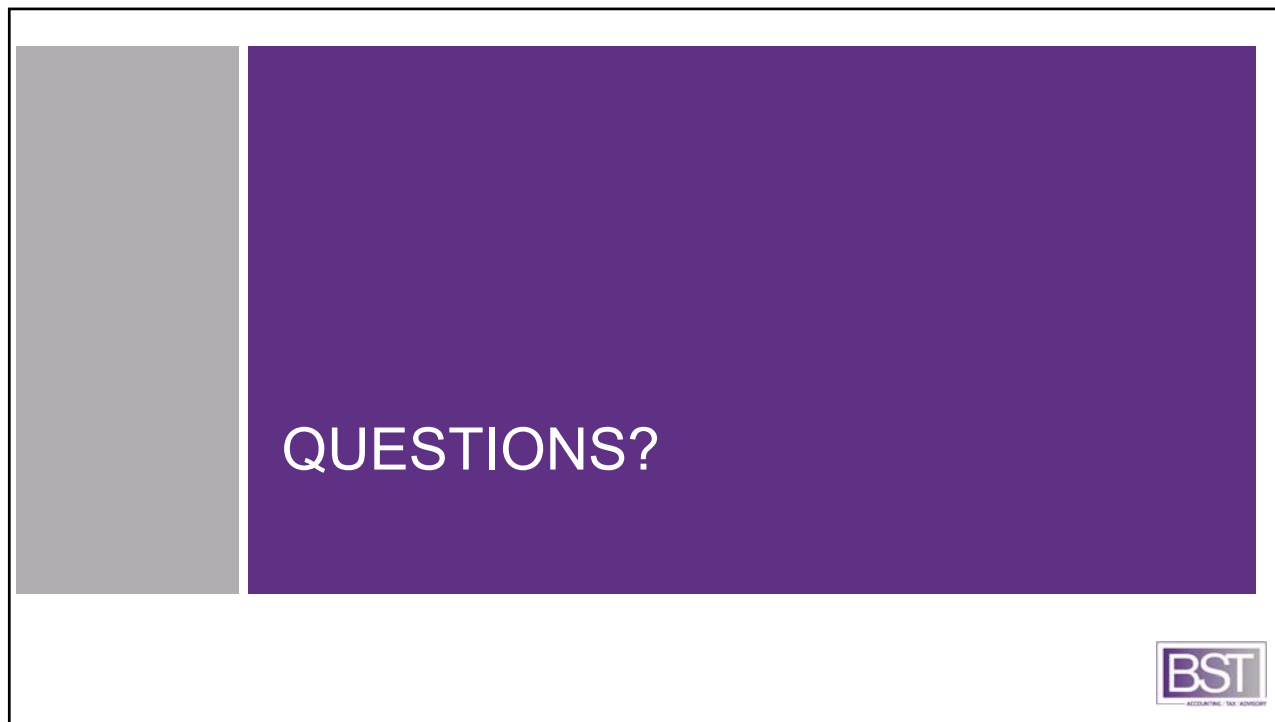
To actively work together so informed,  
confident decisions are made

### GUIDANCE FOR COVID19 CRISIS RELIEF PROGRAMS AND ADVICE FOR RECOVERING


1. Funding Sources for Financial Relief
  - a) SBA loans
    - i. Economic Injury Disaster Working Capital Loans
    - ii. "Cares" Stimulus 7(a) Loans – A Portion of These Loans Will Be Forgiven
    - iii. SBA Parameters for the Paychecks Protection Program (PPP)
  - b) Sick Leave Pay Related to COVID-19
    - i. COVID-19 Paid Leave Tool Kit
    - ii. Families First Coronavirus Response Act (FFCRA) – FAQ
  - c) Employer Payroll Tax Delay ("Cares" Act)
    - i. Deferment of Employer FICA and Medicare Tax Payments
2. Can I Make a Claim on my Insurance for my Business Being Interrupted?
  - a) Business Interruption Insurance and COVID-19
3. What Can I Do to Help Me Recover From This Crisis?
  - a) How Does My Business Proceed Once the Crisis Ends?
  - b) Information/Tips for Individuals to Help Get Through COVID-19 Crisis
  - c) Fraud in an economic downturn
4. Things to be aware after the crisis
  - a) Federal Tax Credit Available for Employee Retention




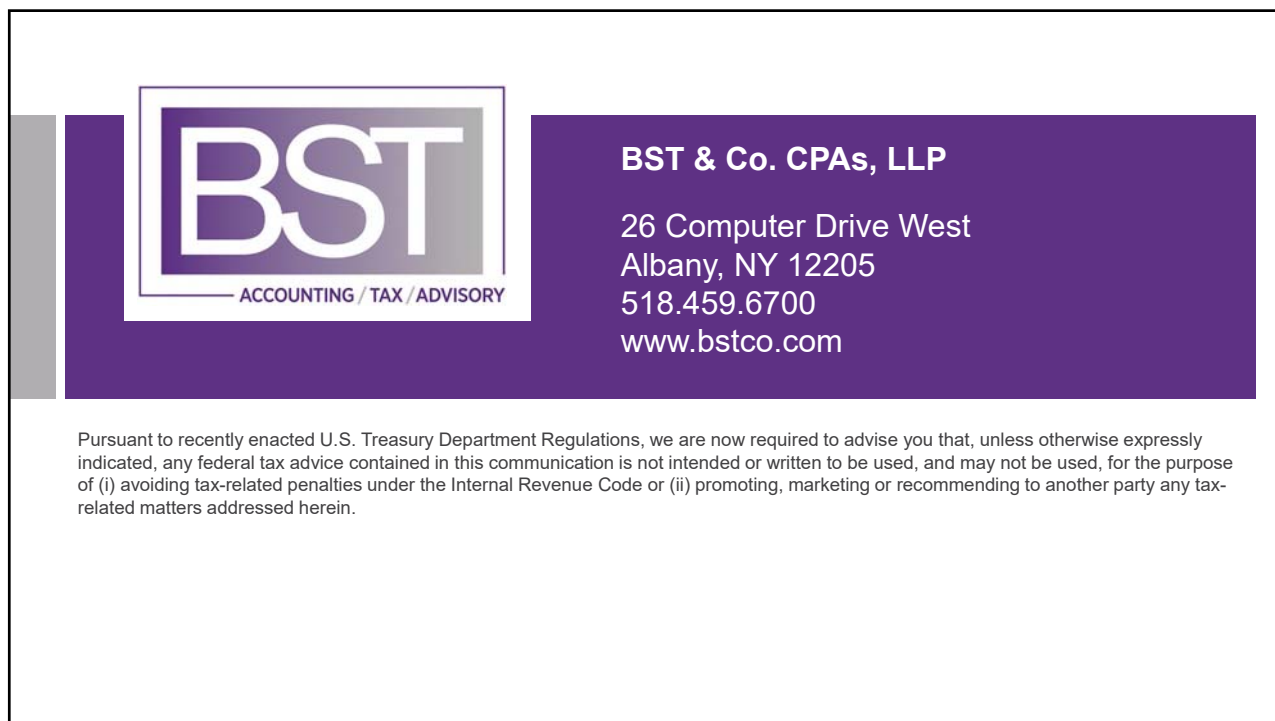
14



QUESTIONS?



15



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16