

A preview of COVID-19 economic relief provisions: The impact for nonprofit organizations



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- Extends the \$300 (\$600 MFJ) above-the-line deduction for those taxpayers not itemizing deductions through 2021 and imposes a penalty for overstating contributions.
- Extends the one year increased adjusted gross income limits on deductible charitable contributions for individuals who itemize deductions and corporations.

Payroll Protection Loan Program (PPP)

- Expands the PPP eligibility to include certain qualified 501(c)(6) organizations. Qualified 501(c)(6) organizations are those that do not receive more than 15% of receipts from lobbying, lobbying activities do not compromise more than 15% of total activities of the organization, cost of lobbying did not exceed \$1 million during the most recent tax year of the organization ending before 2/15/20, and the organization has fewer than 300 employees;
- Expands forgivable expenses to include COVID-19 worker personal protective equipment, property damage costs, supplier costs, and technology and human resources expenditures;
- Simplifies the forgiveness application to a one-page document for loans \$150k or less by allowing a certification that they complied with the CARES Act PPP loan provisions;
- Allows for-profit entities to deduct the expenses paid with loan proceeds and exclude the loan forgiveness from income;
- Creates a second PPP loan program that is available to employers that
 - Had a 25% or more reduction in gross revenues or receipts between the same quarters in 2019 and 2020, and
 - That had 300 or fewer employees.
 - Maximum loan amount is \$2 million.
- Repeals reduction to loan forgiveness for those borrowers who also received an Economic Injury Disaster Loan (EIDL).

EIDL

Provides for a new round of EIDL funds for employers with 300 fewer employees, and have suffered an economic loss of 30% or more during 2020. Emergency grants are extended through 12/31/21.

Employee Retention Credit

The Act extends the availability of the credit for qualified wages paid through, and including, June 30, 2021, and makes several prospective enhancements. For calendar quarters beginning after December 31, 2020, the Act:

- Increases the credit percentage from 50% to 70% of qualified wages;
 - Raises the limit on the amount of qualified wages that can be taken into account per employee from \$10,000 for all calendar quarters to \$10,000 per calendar quarter;
 - Expands eligibility for the credit by reducing the required gross receipts decline from more than 50% to more than 20% of gross receipts for the same calendar quarter in 2019;
 - Allows employers to elect to use prior quarter gross receipts to determine eligibility;
 - Permits certain governmental employers to claim the credit, including 501(c)(1) organizations, colleges and universities, and entities whose principal purpose or function is providing medical or hospital care;
 - Provides that “qualified wages” include only wages paid when an employee is not providing services for employers that averaged more than 500 (increased from 100) full-time employees in 2019;
 - Eliminates the 30-day rule for large employers;
 - Directs Treasury to issue rules allowing employers that averaged 500 or fewer full-time employees during 2019 to elect to receive an advance payment of the credit; and
 - Establishes rules to allow employers who were not in existence for all or part of 2019 to claim the credit.
- The Act also makes a few changes to the Employee Retention Credit that are retroactive to the effective date of the CARES Act. The Act retroactively;
 - Eliminates the provision in the CARES Act that prohibited employers from claiming the credit if they received a PPP loan. (Note, however, that forgivable payroll costs for purposes of the PPP do not include qualified wages taken into account in determining the Employee Retention Credit); and
 - Clarifies the definition of “gross receipts” for tax-exempt organizations by reference to Internal Revenue Code Section 6033.
 - Provides that group health plan expenses can be considered qualified wages even when no other wages are paid to an employee.

Paid Sick and Family Leave Credit

- Extends the refundable payroll tax credits through, and including, 3/31/21.
- Does not extend the requirement to provide paid leave, which expires 12/31/20, but employers now have an opportunity to claim payroll tax credits for those wages.

Shuttered Venue Operators

Provides \$15 billion to aid performance venues, independent movies theaters, and cultural institutions.

Do you have questions about the new relief and how it impacts your organization? Contact your Dean Dorton advisor or Allison Carter at alcarter@deandorton.com.