



**KNOW
GREATER
VALUE**

Covid-19 Related Assistance for U.S. Organizations

April 8, 2020

Relief and Other Provisions For Nonprofits

Presidential signed acts and issued emergency declarations:

- March 6, 2020 – Coronavirus Preparedness Act
- March 13, 2020 - Robert T. Stafford Disaster Relief Act
- March 18, 2020 – Families First Act
- March 27, 2020 – CARES Act
- 18 states declared disasters

Relief and Other Provisions For Nonprofits

What do these actions mean to Public Charities, Private Foundations and other nonprofit organizations?

- Loans
- Paid Sick Leave Act
- Emergency Family and Medical Leave Act
- Unemployment benefits
- Tax law changes
- Answers to commonly asked questions relating to the CARES Act and Families First Coronavirus Response Act



Paycheck Protection Program

Paycheck Protection Program (PPP)

Eligible Organizations	<ul style="list-style-type: none">• Generally, any business with not more than 500 employees (some exceptions apply),• Businesses that qualified under SBA size standards.• Sole proprietorships, independent contractors and self-employed individuals.• 501(c)(3) Not-for-Profit Organizations• 501(c)(19) Veteran Organizations• Entities with NAICS codes beginning with 72 (essentially hotels and restaurants) are exempt from affiliation rules• Tribal business concern described in section 31(b)(2)(C)
Affiliation Rules	<p>Companies under common control must be aggregated for purposes of determining whether a business meets the size standards. The key factor is control, which can be achieved through:</p> <ul style="list-style-type: none">• Majority voting control• Managerial control• Economic control• Significant influence, but less than majority control• Close family member holdings

Paycheck Protection Program (PPP)

Ineligible entities	<p>The following entities are not eligible to receive PPP or EIDL</p> <ul style="list-style-type: none"> • Those engaged in lending, multi-level sales distribution, speculation or investment (except for certain real estate investments) • A consumer or marketing cooperative • Certain types of agri-businesses • Businesses not qualifying as “small” per the SBA guidelines • Entities deriving more than one-third of its revenue from gambling activities • Nonprofits not described in 501(c)(3) or (19) • Entities principally engaged in teaching, instructing, counseling or indoctrinating religious beliefs • Entities principally engaged in political or lobbying activities • Engaged in an activity that is illegal under Federal, state, or local law • Household employer • 20% or more owner of the business is incarcerated, on probation, on parole, subject to federal charges, or has been convicted of a felony in last 5 years. • The entity or the owner is currently delinquent or has defaulted within the last 7 years on a direct or guaranteed loan from SBA or any other Federal agency
Loan Amount	Lesser of \$10,000,000 or 2.5x average monthly payroll costs for the 1-year period prior to the loan date
Length and Interest rate	Length of loan - 2 years. Interest rate – 1.0%.
Payments	No payments for first 6 months after disbursement of loan, but interest will accrue.

Paycheck Protection Program (PPP)

<p>Qualified Payroll Costs</p>	<p>Payroll costs include:</p> <ul style="list-style-type: none"> • Salaries, wages, commissions or similar compensation • Cash tips • Payment for vacation, parental, family, medical or sick leave • Healthcare and retirement benefits • State and local taxes on wages charged to employers (i.e. unemployment taxes) • Partners, sole proprietors, and independent contractors' self employment income is includable in qualified payroll costs up to the \$100,000 limit. <p>Payroll costs exclude:</p> <ul style="list-style-type: none"> • Compensation of an individual employee in excess of \$100,000 a year • Compensation paid to employees outside of the U.S • Employee and employer share of Federal income tax, Medicare, and social security withheld after Feb. 15, 2020 through June 30, 2020 • Qualified sick leave wages under FFCRA • Qualified family leave wages under FFCRA
<p>Do Independent Contractors Count as Employees?</p>	<p>No. Independent contractors can apply for a PPP loan on their own. So they should not be included for purposes of a borrower's PPP loan calculation.</p>

Paycheck Protection Program (PPP)

Qualified Uses of Proceeds	<ul style="list-style-type: none"> • Salaries, commissions, or similar compensations and other qualified payroll costs • Healthcare benefits • Mortgage interest, rent, and utilities • Interest on debt obligations incurred before February 15, 2020 • Refinancing an EIDL loan made between January 31, 2020 and April 3, 2020 • At least 75% of the PPP loan proceeds must be used for payroll costs
Waivers	<ul style="list-style-type: none"> • No collateral required • No personal guarantees required • No application fees
Forgiveness of debt and accrued interest	<p>To be eligible for forgiveness loan proceeds can only be used for qualified uses (see above) The amount forgiven is determined as follows:</p> <ul style="list-style-type: none"> • Ratio of the # of employees employed during the period February 15, 2020 to June 30, 2020 to the # of employees employed during either <ol style="list-style-type: none"> a) the period February 15, 2019 to June 30, 2019, or b) the period January 1, 2020 to February 29, 2020. • The amount of forgiveness is also reduced by the amount that total salary or wages of any employee reduced by more than 25 percent
Taxability	<p>The amounts forgiven are excluded from gross income for federal income tax purposes. <i>Forgiveness process yet to be determined</i></p>
Application	<p>Apply through authorized banks. Due to Know Your Client rules (KYC) this should be the bank the client has a preexisting relationship with.</p>

Paycheck Protection Program (PPP)

Application period	Application period ends on the earlier of June 30, 2020 or until available funds have been used.
Conversion	<p>If an EIDL was awarded between January 31, 2020 AND April 3, 2020, it can be converted to a PPP loan if that loan is approved later</p> <p>If your EIDL loan awarded between January 31, 2020 AND April 3, 2020 and was used for payroll costs your PPP loan must be used to refinance your EIDL loan</p> <p>Proceeds of an EIDL loan up to \$10,000 will be deducted from the loan forgiveness of the PPP loan</p>
Rehiring employees	If entity lays people off between 2/15/20 and 4/26/20, the 25% salary reduction rule will be ignored with regard to the people that were laid off (e.g. it won't be considered a salary reduction) as long as those people are rehired by 6/30.
Information required	<p>The following is a list of items that may be needed during application process</p> <ul style="list-style-type: none"> • Last year's financial information • Internal financial information since end of last fiscal year • Last year's tax returns • Last 4 Form 941s • Payroll registers for last 4 quarters • Documents supporting payroll costs, mortgage interest, rent, and utilities • Organizational documents • Proof of operation as of February 15, 2020



Economic Injury Disaster Loan (EIDL)

Economic Injury Disaster Loans (EIDL)

<p>Eligible Organizations</p>	<ul style="list-style-type: none"> • Generally, any business with not more than 500 employees (some exceptions apply), • Businesses that qualified under SBA size standards. • Sole proprietorships, independent contractors and self-employed individuals. • 501(c), 501(d), and 501(e) Private Not-for-Profit Organizations • Small Agricultural cooperatives • Cooperatives with 500 or fewer employees • ESOP with 500 or fewer employees
<p>Affiliation Rules</p>	<p>Companies under common control must be aggregated for purposes of determining whether a business meets the size standards. The key factor is control, which can be achieved through:</p> <ul style="list-style-type: none"> • Majority voting control • Managerial control • Economic control • Significant influence, but less than majority control • Close family member holdings
<p>Ineligible entities</p>	<p>The following entities are not eligible to receive PPP or EIDL</p> <ul style="list-style-type: none"> • Those engaged in lending, multi-level sales distribution, speculation or investment (except for certain real estate investments) • A consumer or marketing cooperative • Certain types of agri-businesses • Businesses not qualifying as “small” • Entities deriving more than one-third of its revenue from gambling activities • Entities principally engaged in teaching, instructing, counseling or indoctrinating religious beliefs • Entities principally engaged in political or lobbying activities

Economic Injury Disaster Loans (EIDL)

Loan Amount	Up to \$2,000,000 and determined by SBA
Length and Interest rate	Up to a 30 year amortization as determined by the SBA Interest rate 3.75% for businesses, and 2.75% for not-for-profits
Qualified Uses of Proceeds	<ul style="list-style-type: none"> • Ordinary and necessary business expenses • Excluded uses <ul style="list-style-type: none"> • Refinancing existing debt • Paying other federal agency loans • Paying federal, state or local tax penalties or fines • Repairing physical damage • Making distributions to owners other than <u>reasonable</u> remuneration
Waivers	<p>The following EIDL loan requirements are waived through December 31, 2020</p> <ul style="list-style-type: none"> • Personal guarantees on loans up to \$200,000 • 1-year in business requirement • Ability to obtain credit elsewhere <p>Applicants can be approved based on credit score alone without the need to submit tax returns</p>
Advance	Any entity that is otherwise qualified to receive an EIDL, will be given a \$10,000 grant within 3 days when they apply, regardless of if they are ultimately approved for the EIDL. The grant can be used for any EIDL qualified use. The grant does not need to be repaid.
Application	Applications are submitted directly to the SBA https://disasterloan.sba.gov/ela/

Economic Injury Disaster Loans (EIDL)

Application Period	Open as long as funds available
Conversion	If EIDL awarded it can be converted to a PPP loan if that loan is approved later
Information required	<p>The following is a list of items that may be needed during application process</p> <ul style="list-style-type: none">• Last 3 years of financials• Internal financial information since end of last fiscal year• Last 3 years of tax returns• Current list of payables and debt• Personal financial statement



Economic Stabilization Fund

Economic Stabilization Fund

Program	\$500 billion allocated to the secretary of the Treasury to issue loans or loan guarantees
Eligibility	Entities who did not receive adequate economic relief in other parts of the CARES Act Typically, entities who do not qualify as a small business concern as defined by the SBA or the CARES Act
Form of loan and other terms	Entities must retain or rehire at least 90% of their existing employees in place on February 1, 2020 and at full compensation through September 3, 2020
Compensation limitations	An entity entering into the loan or loan guarantee, officer or employee of the business whose total compensation exceeded \$425,000 in 2019 <ul style="list-style-type: none"> • will not be allowed to receive an increase over the 2019 compensation for a 2 year period beginning on March 1, 2020 and ending on March 1, 2022 • Any severance for said employee will not exceed 2 times the 2019 compensation Exception for compensation determined by a collective bargaining agreement
Loan Terms	Interest capped at 2% No principle or Interest paid for the first six months No loan forgiveness



Emergency Paid Sick Leave

Emergency Paid Sick Leave

Terms	<p>The Families First Coronavirus Response Act (the "FFCRA") The Emergency Paid Sick Leave Act (EPSLA) The Emergency Family and Medical Leave Expansion Act (Expanded FMLA) Businesses with less than 500 Employees (Eligible Employers)</p>
Requirements	<p>The EPSLA requires Eligible Employers to provide employees with paid sick leave if the employee is unable to work (including telework) due to any of the following:</p> <ol style="list-style-type: none"> 1. the employee is under a Federal, State, or local quarantine or isolation order related to COVID-19; 2. the employee has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; 3. the employee is experiencing symptoms of COVID-19 and seeking a medical diagnosis; 4. the employee is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19, or has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; 5. the employee is caring for the child of such employee if the school or place of care of the child has been closed, or the child care provider of such child is unavailable, due to COVID-19 precautions; 6. the employee is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services.
Required Pay	<ul style="list-style-type: none"> • An employee who is unable to work for reasons due to a COVID-19 circumstance described in 1, 2 or 3 above is entitled to paid sick leave for up to two weeks (up to 80 hours) at the employee's regular rate of pay, or, if higher, the Federal minimum wage or any applicable State or local minimum wage, up to \$511 per day and \$5,110 in the aggregate. • An employee who is unable to work due to a COVID-19 circumstance described in 4, 5 or 6 above is entitled to paid sick leave for up to two weeks (up to 80 hours) at 2/3 the employee's regular rate of pay or, if higher, the Federal minimum wage or any applicable State or local minimum wage, up to \$200 per day and \$2,000 in the aggregate.



Emergency FMLA

Emergency FMLA

Terms	The Emergency Family and Medical Leave Expansion Act amends the current Family and Medical Leave Act (FMLA), allowing leave for eligible employees who can't work (or telework) because their minor child's school or childcare service is closed due to a COVID-19 emergency declared by a federal, state or local authority.
Requirements	<ul style="list-style-type: none"> • Eligible employees include employees who work for an employer with fewer than 500 employees and who have been on payroll for at least 30 calendar days. • The first 10 days of this leave may be unpaid; however, employees may elect to substitute available paid time off, such as vacation, personal or sick leave, during this time. • Importantly, the DOL confirms that if an employee is on unpaid administrative leave/furlough/temporary layoff, the employee is NOT eligible for paid sick leave or EFMLA. This applies whether the unpaid administrative leave/furlough/temporary layoff occurs before April 1 or after April 1. Only when the employee returns to work would they be eligible for paid sick leave or EFMLA.
Required Pay	After the initial 10 days, employers must pay eligible employees at least two-thirds of an employee's regular rate of pay (as defined under the Fair Labor Standards Act) based on the number of hours the employee would otherwise have been scheduled to work. These paid-family-leave benefits are capped at \$200 a day (or \$10,000 total).



Paid Sick Leave Refundable Credit

Paid Sick Leave Refundable Credit

Credit	Employers are entitled to receive a credit in the full amount of the qualified sick leave wages and qualified family leave wages, plus allocable qualified health plan expenses and employers share of Medicare tax, paid for the leave between April 1, 2020 and December 31, 2020
Social Security Tax	The Employer is not subject to the employer portion of social security tax imposed on the qualified pay.
Claiming Credit	Eligible Employers that pay qualified leave wages will be able to retain an amount of all federal employment taxes equal to the amount of the qualified leave wages paid, plus the allocable qualified health plan expenses and the amount of the employer's share of Medicare tax imposed on those wages, rather than depositing them with the IRS.
Claiming Refunds	If employer's employment tax deposits are not sufficient to cover the credit, the employer may receive a refund from the IRS by submitting Form 7200, Advance payment of Employer Credits Due to Covid-19.



Payroll Tax Deferral

Payroll Tax Deferral

Description	Defer payment of employer payroll taxes incurred between March 27, 2020 and December 31, 2020
Eligibility	All employers including nonprofit organizations
Ineligibility	Payroll deferral is not available if the employer obtains PPP loan forgiveness
Amounts	The deferral relates to the employers portion of the 6.2% Social Security tax.
Deferral date	Amounts will be considered timely paid if 50% paid of the deferred amount paid by December 31, 2021 and the remaining 50% by December 31, 2022.



Employee Retention Credit

Employee Retention Credit

Description	Employee retention credit for wages paid from March 13, 2020 to December 31, 2020 that are subject to closure or significant economic downturn due to Covid-19
Eligibility	<ul style="list-style-type: none"> • Operations were fully or partially suspended on orders from a governmental authority due to COVID-19 (COVID-19 Shutdown), or • The business experienced a 50% reduction in gross receipts for a calendar quarter as compared to the same calendar quarter in the prior year (Gross Receipts Decline). The eligibility period ends when the business' gross receipts for a calendar quarter are 80% of the gross receipts in the same calendar quarter in the prior year.
Ineligibility	Any employer that receives an SBA Paycheck Protection Program loan is not eligible for the Credit.
Amount	The credit amount takes into account up to 50% of qualified wages, which are capped at \$10,000. Thus, the maximum credit is \$5,000 per employee. Qualified wages include qualified health plan expenses paid or incurred by the employer for health coverage excludable under IRC Section 106(a).
Entities with more than 100 employees	For employers with an average of more than 100 employees in 2019, qualified wages are wages paid to an employee who is not providing services due to a COVID-19 Shutdown or Gross Receipts Decline.
Entities with 100 or less employees	For employers of 100 or fewer employees, qualified wages are wages paid to any employee without regard to whether the employee is providing services.
Refunds	The credit is refundable. However, it is subject to a number of rules to prevent double-dipping.
Payroll Tax Deferral	An organization that utilizes the credit can still utilize the payroll tax deferral program.
Reporting	Employers can reduce their required deposits of payroll taxes. Eligible employers will report their qualified wages and health insurance costs on their quarterly employment tax returns.
Applying for Refund or Advance	If employer's employment tax deposits are not sufficient to cover the credit or if employer wants advance of the credit, the employer may receive a refund or an advance payment from the IRS by submitting Form 7200, Advance Payment of Employer Credits Due to Covid-19.



Taxable Income Reduction Opportunities

Taxable Income Reduction Opportunities

Net Operating Losses	Five year carryback period for 2018, 2019, and 2020 NOLs. Suspension of NOL limitation of 80% of taxable income for 2018, 2019, and 2020.
AMT Credit	CARES Act allows for credit to be completely refunded for taxable years beginning after December 31, 2018, or by election, taxable years beginning after December 31, 2017.



Charitable Giving Incentives

Charitable Giving Incentives

<p>Charitable Contributions (Individuals)</p>	<ul style="list-style-type: none"> • Individuals utilizing the standard deduction can claim an addition deduction of up to \$300 for charitable contributions made in 2020. • Percentage limitation eliminated for cash gifts made in 2020 from 60% of AGI to 100% • Cash contributions qualify only • Contributions to supporting organizations, grant making foundations and donor-advised funds do not qualify
<p>Charitable Contributions (Corporations)</p>	<ul style="list-style-type: none"> • Corporations are permitted a deduction of 25% of taxable income, up from 10%
<p>Gift of Food Inventory</p>	<ul style="list-style-type: none"> • Increase in limitation to 25%, up from the current 15% cap.



Qualified Disaster Relief Payments

Qualified Disaster Relief Payments – IRC section 139

General Requirements	<ul style="list-style-type: none"> • Reasonable and necessary expenses as a result of a qualified disaster; • Cannot be reimbursed by insurance; • Cannot be wage replacement
Treatment	<ul style="list-style-type: none"> • Nontaxable to the recipient; deductible by employer
Qualified Expenses	<ul style="list-style-type: none"> • Travel, medical, childcare, home office, etc.
Recordkeeping	<ul style="list-style-type: none"> • No specific documentation required but recommended



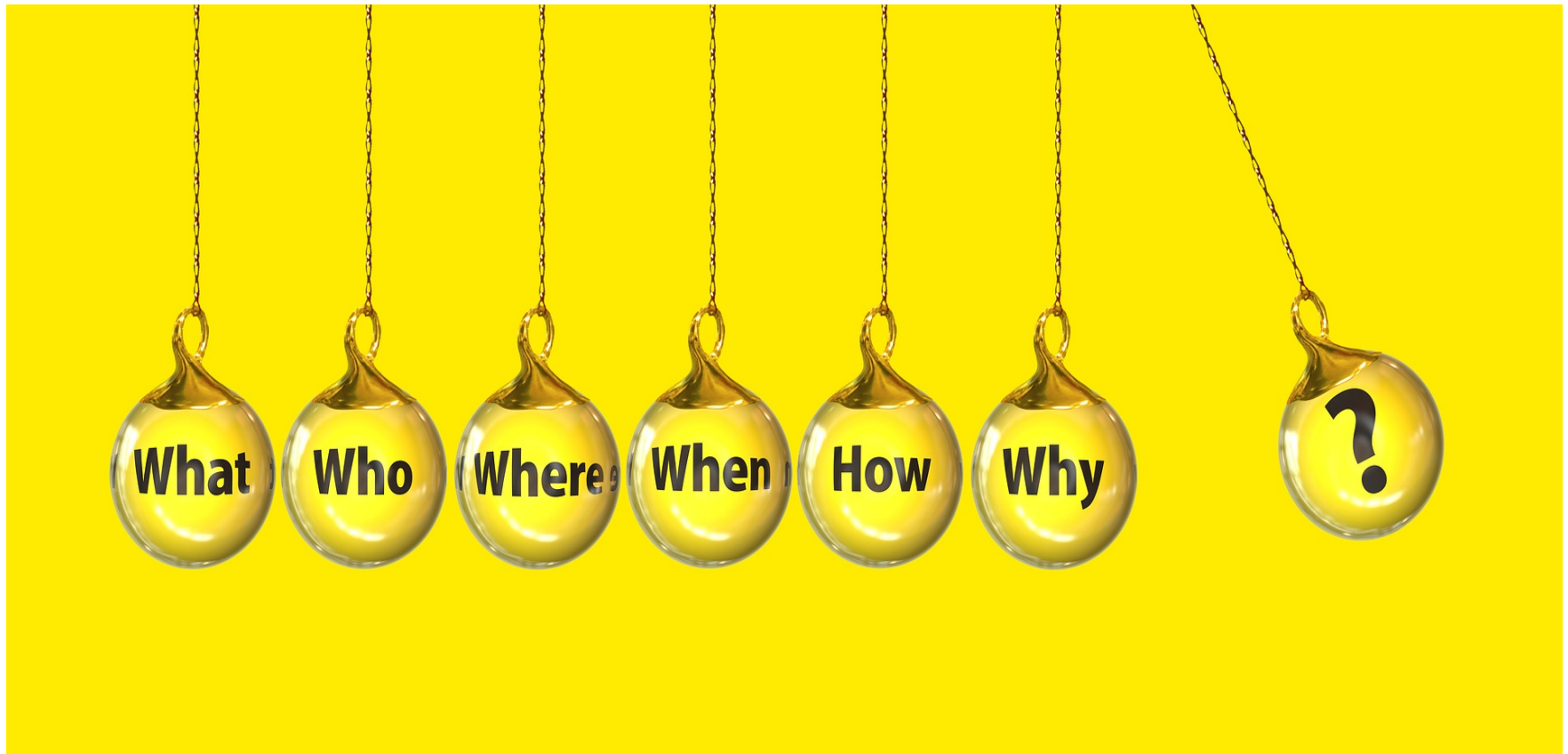
Tax Deadlines

Tax Deadlines

Tax Returns	All federal income tax returns due on April 15 are automatically extended to July 15, 2020 Includes Form 990-T due April 15, 2020; excludes “Information” returns or “Excise” Tax Returns Form 990/990-T/990-PFs due May 15, 2020 are not extended
Tax payments and estimates	All Federal income tax payments and estimates due on April 15, 2020 have been extended to July 15, 2020
Refund Claims	File Form 4466 by April 15, 2020 for calendar year filers (3 ½ months after year end) File Form 990-T or amended Form 990-T for QFTB/Parking tax refunds
States	Due dates may or may not conform to Federal due date



Common Questions



Disclaimer

The CARE Act program details discussed in this presentation are current as of 8:00 AM, April 8, 2020. Due to the current environment, the CARE Act and its interpretations are subject to change without notice. Please connect to our COVID-19 Resource Center for the most up to date information at a point in time.

PKF O'Connor Davies, LLP

PKF O'Connor Davies is the lead North American firm in the growing global network of independent accounting and advisory firms with offices in 440 cities, in 150 countries across five continents. We specialize in providing high-quality audit, accounting, tax and advisory services to international and domestic organizations. Our clients demand worldwide connectivity, and we have the resources for them wherever and whenever they need them.

Locations

Bethesda, MD | Cranford, NJ | Harrison, NY | Livingston, NJ | New York, NY | Newburgh, NY (Fostertown Road & 254 Route 17K) | Providence, RI | Shelton, CT | Stamford, CT | Wethersfield, CT | Woodcliff Lake, NJ

PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.