



COVID-19 Federal Relief Programs

Consortium of Endowed Episcopal Parishes
(CEEP)

November 17, 2020

The Professional Services firm of
James B. Jordan CPA, LLC
James B. Jordan CPA, CFE, CGMA

Agenda

- Introduction
- Paycheck Protection Program (PPP)
- Paycheck Protection Program Flexibility Act of 2020
- Employer Tax Credits
- Economic Injury Disaster Loan (EIDL)

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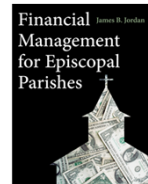
- Nationwide Professional Services Firm solely focused on churches and dioceses
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- National Practice Areas:
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 - Remote Bookkeeping
 - Weekly, monthly, and year-end processing
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 - Fraud prevention and detection
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 - Tax
 - All manner of taxes

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 - Proactive internal control design
- Author
 - *Financial Management for Episcopal Parishes, Revised Edition*, Morehouse Press, Church Publishing, Inc.
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Disclaimer

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Paycheck Protection Program (PPP)

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- It is a LOAN
- Funding is provided by the US Treasury
- Initial applications are made to your bank
- Applications must be submitted by June 30, 2020
- Your bank prepares your loan package and sends to the Small Business Administration who sends an approved dollar amount to the bank with funding
- You sign loan documents certifying accuracy of information provided, and the bank deposits the funds into your checking account
- Loan forgiveness involves an application and approval by the SBA
- PPP loan forgiveness is not automatic, and could be partial or no forgiveness

Paycheck Protection Program (PPP)

- Basically, eight weeks to expend funds beginning the day the loan proceeds are received, and account for them with the Treasury within six months. IRS has oversight of loans
- Housing allowance for clergy counts as payroll cost
- All cash compensation is subject to \$100,000 limitation (pay + housing)

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Paycheck Protection Program Flexibility Act of 2020

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- Extends the eight weeks provision to expend funds to 24 weeks or December 31, 2020, whichever comes first
 - The church may elect to remain with the eight weeks provision if funds received before PPPF Act of 2020 enactment
- Clock starts upon receipt of PPP funds deposited into your bank account
- Changes the ratio for expenditures to at least 60% for salaries, leaving no more than 40% for eligible expenses
- At least 60% must be spent on salaries or none of the loan is forgivable
- The full employment level is extended to the 24 week period, or at least by December 31, 2020 from June 30, 2020 originally
- New exceptions for forgiveness – rehire issues and if income levels do not return
- New borrowers can have up to 5 years to repay any loan amount not forgiven
- Existing borrowers can elect up to 5 years to repay if the lender agrees

Paycheck Protection Program Flexibility Act of 2020

- Loan payments deferred until SBA determines forgiveness
 - Previously was 6 months deferral
 - Borrower has to apply for forgiveness within 10 months of the end of the covered period or payments will be required
- Two year deferral of employer's share of payroll taxes (previously excluded this provision if a PPP loan was issued)
 - Deferral of FICA payments (6.2%)
 - 50% due in 2021, remainder due in 2022
- Work in progress – New FAQs and guidance not yet published by Treasury and SBA

So Where Are We Today?

What is Excluded From Payroll Costs?

- As a reminder, the CARES ACT excludes from payroll costs :
 - Annualized salaries greater than \$100K
 - \$15,385 for 8-week covered period
 - \$46,154 for 24-week covered period
 - Taxes imposed or withheld under chapter 21, 22, or 24 of the IRC of 1986 (e.g. the employer's share of FICA and Medicare are not included as payroll costs)
 - Compensation of an employee whose principal place of residence is outside the US
 - Qualified sick or family leave for which a credit is allowed under §7002 or §7004 of the FFCRA
 - Payments to independent contractors

There are Multiple Forms to Use

- Borrowers who received a loan of \$50,000 or less can use the streamlined [SBA Form 3508S](#) loan forgiveness application.
- Form [3508EZ loan forgiveness application](#) applies to borrowers that:
 - Are self-employed and have no employees; or
 - Did not reduce salaries or wages of their employees by more than 25%, and did not reduce the number of hours of their employees; or
 - Experienced reductions in business activity as a result of health directives related to COVID-19, and did not reduce the salaries or wages of their employees by more than 25%
 - See your financial institution's instructions if you have already submitted Form 3508S and want to change to Form 3580EZ
- Form 3510 is for Non-profits who received more than \$2,000,000 in PPP loans
 - Is not developed yet by SBA
 - Has extensive additional documentation justifying the need for the loan

Forgiveness Calculation Step 1

- **Track total eligible costs incurred and paid during the covered period* following the loan funding**
- Payroll costs
 - Compensation to employees and owner-employees including items such as:
 - Salary, wages, commissions or similar
 - Housing allowance for clergy
 - Cash tips or the equivalent
 - Payment for leave
 - Allowance for separation or dismissal
 - Housing allowance or stipend
 - Payments for group health care benefits, including group health care coverage
 - Payment of any retirement benefits
 - Payment of state and local taxes assessed on the compensation of employees
- Mortgage interest on real or personal property
 - For mortgages in effect prior to 2/15/2020
 - Payments to a related party are limited to the mortgage interest owed on the property during the covered period
- Rent/lease payments for real or personal property
 - For leasing agreements in effect prior to 2/15/2020
 - Payments to a related party are limited to the mortgage interest owed on the property during the covered period
- Utilities
 - Includes payment for expenses such as electricity, gas, water, transportation, telephone, or internet access.
 - Service must have been established prior to 2/15/2020

* 8-week or 24-week covered period

Step 2

- **Calculate any reduction in payroll > 25% 2020**

- For any employee who did not receive, during any single pay period during 2019, wages/salary at an annualized rate of pay more than \$100K.
- Did their average annual salary or hourly wage during the covered period decrease by more than 25% from January 1, 2020 and March 31, 2020? Reduce forgivable amount by the reduction that exceeds 25%.
- The borrower should only take into account decreases in salaries or wages; a decrease caused by a reduction in hours will be ignored in this step as it will be picked up in Step 3.
- Consider using your financial institution's forgiveness calculator if they have one.

Step 3

- **Calculate any % decrease in FTEs from covered period versus the following periods:**
 - February 15 through June 30, 2019 or, at the borrower's election, January 1 through February 29, 2020
 - Seasonal businesses will use February 15 to June 30, 2019; between January 1 and February 29, 2020 or any consecutive 12-week period between May 1, 2019 and September 15, 2019

Step 4

- **Calculate any adjustment because FTEs and salary/wages were restored by the earlier of December 31, 2020 or the application date**
 - If “restore” criteria are met, the decreases in loan forgiveness calculated in steps 3 and 4 are ignored.

FTE “Reductions”

- **Exceptions for FTE Reductions and Safe Harbors**

- Exceptions for FTE reduction provided if borrower documents an inability to:
 - Rehire individuals who were employees or restore hours of the eligible recipient on February 15, 2020; and
 - Hire similarly qualified employees for unfilled positions on or before December 31, 2020; or
 - Return to the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued...related to COVID-19. (see language in the [Paycheck Protection Program Flexibility Act of 2020](#))
- **FTE Safe Harbor 1:** Borrowers unable to operate at the same level between 2/15/20 and the end of the covered period because of guidance issued by government agencies will not receive a reduction in forgiveness for a decrease in FTEs
- **FTE Safe Harbor 2:** Borrower will not receive a reduction in forgiveness if a) they reduced their FTEs in the period beginning 2/15/20 and ending 4/26/20; and b) they restored FTEs no later than the earlier of the application date or 12/31/20 to the same level as the pay period that included 2/15/20.

Step 5

- **Calculate payroll costs for forgiveness floor**
 - 60% of eligible costs are to be used for payroll
 - If less than 60%, forgiveness is reduced

Summary

- The time has come to gather your documentation and file for PPP loan forgiveness – following the instructions of your lender.
- Your lender will tell you what supporting documentation you need to submit along with your application for forgiveness based on the form you use.

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