

COVID-19 Federal Relief Programs

Consortium of Endowed Episcopal Parishes
(CEEP)

June 15, 2010

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)

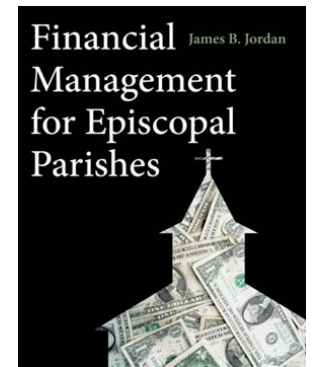
James B. Jordan CPA, LLC

- Nationwide Professional Services Firm solely focused on churches and dioceses
- Locations in Atlanta and New York
- National Practice Areas:
 - Audit
 - Churches and Dioceses
 - Remote Bookkeeping
 - Weekly, monthly, and year-end processing
 - Consulting
 - Process design and implementation
 - Fraud prevention and detection
 - Reconciliation
 - Tax
 - All manner of taxes

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- CPA - Auditor of only churches and dioceses
- CFE (Certified Fraud Examiner)
 - Fraud investigations
 - Consulting – Church and other church entity fraud assessments
 - Proactive internal control design
- Author
 - *Financial Management for Episcopal Parishes, Revised Edition*, Morehouse Press, Church Publishing, Inc.
- Educator – Seminaries: Emory, GTS (NYC), CDSP (Berkeley)

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Disclaimer

Please note that any information given in this document or verbally on this Zoom meeting cannot be used to avoid penalties which the Treasury Department of the United States government or your State might impose because we have not included all of the information required by IRS Circular 230, nor have we performed services that rise to this level of assurance.

Subsequent law changes may make this information invalid as will subsequent changes to or revelation of facts. Specific advice regarding your particular situation is by engagement letter only.

Coronavirus Aid, Relief, and Economic Security Act (CARES) Special Faith-Based Provisions

Are faith-based organizations, including houses of worship, eligible to receive SBA loans under the PPP and EIDL programs?

- Yes, and we additionally clarify that faith-based organizations are eligible to receive SBA loans regardless of whether they provide secular social services. That is, no otherwise eligible organization will be disqualified from receiving a loan because of the religious nature, religious identity, or religious speech of the organization. The requirements in certain SBA regulations—13 C.F.R. §§ 120.110(k) and 123.301(g)—impermissibly exclude some religious entities. Because those regulations bar the participation of a class of potential recipients based solely on their religious status, SBA will decline to enforce these subsections and will propose amendments to conform those regulations to the Constitution. Although 13 C.F.R. § 120.110(a) states that nonprofit entities are ineligible for SBA business loans (which includes the PPP program), the CARES Act explicitly makes nonprofit entities eligible for the PPP program and it does so without regard to whether nonprofit entities provide secular social services.

[Retrieved 6/10/2020 – SBA Faith-Based Organization PPP and EIDL FAQs](#)

Paycheck Protection Program (PPP)

Paycheck Protection Program (PPP)

- 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)

Accounting for PPP – Receipt of Funds

PPP is a LOAN, not income

<u>A</u>	<u>Receipt of funds:</u>	<u>DR</u>	<u>CR</u>
1000	Cash (Bank Account Deposit)	10,000.00	
2000	PPP Loan Payable		10,000.00
	<u>(Recommended)</u>		
3000	Unrestricted Net Assets (Fund principal)	10,000.00	
8000	PPP Designated Funds		10,000.00

Accounting for PPP – Disbursement of Funds

<u>B</u>	<u>Disbursement of funds</u>		
8000	PPP Designated Funds <i>MEMO: 5000 Rent expense</i>	1,000.00	
8000	PPP Designated Funds <i>MEMO: 5500 Payroll</i>	500.00	
1000	Cash (where LOAN was deposited)		1,500.00

Accounting for PPP – Closing Loan

<u>C</u>		<u>Forgiveness of loan - once approved by SBA via lender</u>		
C-1	2000	PPP Loan Payable (CAVEAT - only the portion forgiven!)	10,000.00	
	1000	Unrestricted Net Assets (same CAVEAT)		10,000.00
C-2*	5000	Rent Expense	1,000.00	
	5500	Payroll	500.00	
	8000	PPP Designated Funds		
		(should bring the balance back to 10,000)		1,500.00
C-3	8000	PPP Designated Funds	10,000.00	
	3000	Unrestricted Net Assets (Fund Balance)		10,000.00

* CAVEAT: If loan is not closed out by the end of the year, enter C-2 only in the books via Journal Entry. Once closed, reverse C-2 in the new year – do not post back to prior year. Complete C-1 through C-3 once the loan is closed out with the lender.

Accounting for PPP

PPP is a LOAN, not income

		<u>DR</u>	<u>CR</u>
<u>A</u>	<u>Receipt of funds:</u>		
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C-2*	5000 Rent Expense	1,000.00	
	5500 Payroll	500.00	
	8000 PPP Designated Funds		
	(should bring the balance back to 10,000)		1,500.00
C-3	8000 PPP Designated Funds	10,000.00	
	3000 Unrestricted Net Assets (Fund Balance)		10,000.00

PAYROLL JOURNAL

EMPLOYEE NAME ID	HOURS, EARNINGS, REIMBURSEMENTS & OTHER PAYMENTS				WITHHOLDINGS	DEDUCTIONS	NET PAY ALLOCATIONS	
	DESCRIPTION	RATE	HOURS	EARNINGS	REIMB & OTHER PAYMENTS			
[REDACTED]	Non-profit wages			1,473.33		Social Security Medicare Fed Income Tax GA Income Tax	91.34 21.37 122.34 48.30	Direct Deposit # 10003 Check Amt 0.00 Chkg 3906 1,189.98
	EMPLOYEE TOTAL			1,473.33			283.35	Net Pay 1,189.98
[REDACTED]	Clergy Wages			3,090.00		Fed Income Tax	316.34	Direct Deposit # 10004
	Housing Allowance			2,916.67		GA Income Tax	141.26	Check Amt 0.00
	SECA Reimbursement				452.67			Chkg 2081 6,001.74
	EMPLOYEE TOTAL			6,006.67	452.67		457.60	Net Pay 6,001.74
[REDACTED]	Non-profit wages			1,716.67		Social Security Medicare Fed Income Tax GA Income Tax	106.44 24.89 151.54 62.29	Direct Deposit # 10005 Check Amt 0.00 Chkg 5570 1,371.51
	EMPLOYEE TOTAL			1,716.67			345.16	Net Pay 1,371.51
COMPANY TOTALS 3 Person(s) 3 Transaction(s)	Clergy Wages			3,090.00		Social Security	197.78	Check Amt 0.00
	Non-profit wages			3,190.00		Medicare	46.26	Dir Dep 8,563.23
	Housing Allowance			2,916.67		Fed Income Tax	590.22	
	SECA Reimbursement				452.67	GA Income Tax	251.85	
	COMPANY TOTAL			9,196.67	452.67		1,086.11	Net Pay 8,563.23
						<i>Employer Liabilities</i>		
						Social Security	197.78	
						Medicare	46.25	
						TOTAL EMPLOYER LIABILITY	244.03	
						TOTAL TAX LIABILITY	1,330.14	
(IC) = Independent Contractor								

Period Start - End Date 05/01/20 - 05/31/20
 Check Date 05/29/20

Payroll Journal
 Page 1 of 1
 PYRJRN

Transaction List



Date	Src	Bank	Explanation	Ref No	Amount	Reconcile	Payee Name	Voided
05/29/2020	JRE	001	Payroll	195	\$9,649.34	Yes		

Account	Description	Debit	Credit
88000	PPP Restricted	\$3,090.00	
88000	PPP Restricted	\$2,916.67	
22010	Federal Tax Withholding		\$316.34
22060	State Tax Withholding		\$141.26
50290	Clergy SECA Tax	\$452.67	
10200	Operating Checking Account		\$8,001.74
88000	PPP Restricted	\$1,371.51	
22010	Federal Tax Withholding		\$151.54
22060	State Tax Withholding		\$62.29
22020	FICA - EE		\$106.44
22040	Medicare - EE		\$24.89
10200	Operating Checking Account		\$1,371.51
88000	PPP Restricted	\$1,189.98	
22010	Federal Tax Withholding		\$122.34
22060	State Tax Withholding		\$48.30
22020	FICA - EE		\$91.34
22040	Medicare - EE		\$21.37
10200	Operating Checking Account		\$1,189.98
50500	Parish Administrator	\$345.16	
50520	Organist Salary	\$283.35	
		<u>\$9,649.34</u>	

The sum of **88000 PPP Restricted** = \$8,568.16 which is the amount withdrawn from the checking account for net payroll (10200 Operating Checking Account) making bank reconciliation easier. The sum of the **rest of the accounts** equals the remaining amount withdrawn from 10200 Operating Checking Account for taxes and other withholdings or payments (\$1,081.18), also making bank reconciliation easier. (\$8,568.16 + \$1,081.18 = \$9,649.34)

Paycheck Protection Program Flexibility Act of 2020

Paycheck Protection Program Flexibility Act of 2020

- 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

Employer Tax Credits

The Employee Retention Credit



www.irs.gov/coronavirus

New Employer Tax Credits The Employee Retention Credit



Publication 5419 (5-2020) Catalog Number 74564L. Department of the Treasury Internal Revenue Service www.irs.gov

7200 Advance Payment of Employer Credits Due to COVID-19
Form (March 2020) Department of the Treasury Internal Revenue Service
OMB No. 1545-0020
Go to www.irs.gov/Form7200 for instructions and the latest information.

Name (not your trade name) _____ Employer identification number (EIN) _____

Trade name (if any) _____ Applicable calendar quarter (check one)
 April, May, June
 July, August, September
 October, November, December

Number, street, and apt. or suite no. If a P.O. box, see instructions. _____

City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.) _____

Foreign country name _____ Foreign province/country _____ Foreign postal code _____

Does a third-party payer file your employment tax return? (See instructions.) If "Yes," enter its name. _____ Third-party payer's EIN (if applicable) _____

Tip: File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect to claim on your employment tax return for the applicable quarter. Don't reduce your employment tax deposits and request advanced credits for the same expected credits. You will need to reconcile your advanced credits and reduced deposits on your employment tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.

Part I Tell Us About Your Employment Tax Return

A Check the box to indicate which employment tax return form you file (or will file for 2020):
 941, 941-PR, or 941-SS 943 or 943-PR 944 or 944(SP) CT-1

B Is this a new business started on or after January 1, 2020? Yes No
 If "Yes," skip line C unless you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020.

C Amount reported on line 2 of your most recently filed Form 941 (or wages reported on Schedule R (Form 941), column (c), by your third-party payer (see instructions)). If you file a different employment tax return, see instructions. _____

D Enter the total number of employees you have. See instructions. _____

Part II Enter Your Credits and Advance Requested

1	Total employee retention credit for the quarter. See instructions	1
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions	2
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions	3
4	Add lines 1, 2, and 3	4
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter	5
6	Total advanced credits requested on previous filings of this form for this quarter	6
7	Add lines 5 and 6	7
8	Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form	8

Third-Party Designee
 Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details. Yes. Complete below. No

Designee's name _____ and phone number _____
 Select a 5-digit personal identification number (PIN) to use when talking to the IRS _____

Sign Here
 Under penalties of perjury, I declare that I have examined this form, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature _____ Date _____ Printed title _____

Printed name _____ Best daytime phone _____

Paid Preparer Use Only
 Print/type preparer's name _____ Preparer's signature _____ Date _____ PTIN _____ Check if self-employed
 Firm's name _____ Firm's EIN _____
 Firm's address _____ Phone no. _____

How To File
 Fax your completed form to 855-248-0652.

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 56392D Form **7200** (3-2020)



Note: The form, instructions, or publication you are looking for begins after this coversheet.

Please review the updated information below.

Payroll Reporting Agents Can Sign and Submit Form 7200 on Behalf of Clients

A payroll reporting agent (RA) can sign Form 7200, Advance Payment of Employer Credits Due to COVID-19, for a client for which it has the authority, via Form 8655, Reporting Agent Authorization, to sign and file the employment tax return (for example, Form 941, Employer's Quarterly Federal Tax Return). The signatory must be the Principal or Responsible Official listed on the RA's e-file application. The signatory may sign with ink on paper or may use the alternative signature method (rubber stamp, mechanical device, or computer software program; for details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, available at irs.gov/irb/2005-28_IRB#RP-2005-39). The RA will submit the form via fax to 855-248-0552. The RA must obtain written authorization from the client (paper, fax, or e-mail) to perform these actions regarding the Form 7200. The RA need not submit that authorization to the IRS, but should retain it in its files so that the RA can furnish it to the IRS upon request. For a client for which the RA does not have a Reporting Agent Authorization, the RA may complete and print the form, or it may provide the client a means to complete and print the form, but the client will have to sign it.

Paid Sick Leave and Family Leave Credits

Leave Credits

The paid sick leave credit and paid family leave credit are available for eligible employers who pay qualified sick leave wages and/or qualified family leave wages from 4/1/2020 through 12/31/2020, and who have fewer than 500 employees.

Type of Credit	IF an employee is unable to work because:	Then
Paid Sick Leave Credit	<ul style="list-style-type: none"> • They're subject to a COVID-19 quarantine or isolation order. • They're advised to self-quarantine because of COVID-19. • They have COVID-19 symptoms and are seeking a medical diagnosis. 	The credit is at the employee's regular rate of pay, up to \$511 per day and \$5,110 in total up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax expenses for the employee.
Paid Sick Leave Credit	<ul style="list-style-type: none"> • They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19. • They're caring for a child whose school or place of care is closed due to COVID-19. • They're caring for a child whose child care provider is unavailable due to COVID-19. 	The credit is for two-thirds of the employee's regular rate of pay, up to \$200 per day and \$2,000 in total, for up to 80 hours. The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax.
Family Leave Credit	<ul style="list-style-type: none"> • They're caring for a child whose school or place of care is closed due to COVID-19 • They're caring for a child whose child care provider is unavailable due to COVID-19. 	<ul style="list-style-type: none"> • This credit is equal to two-thirds of the employee's regular rate of pay, capped at \$200 per day or \$10,000 in total. • Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so an employer could be entitled to a credit for pay for up to 12 weeks – 2 weeks of sick leave and 10 weeks of family leave. • The employer is also eligible for credits for qualified health plan expenses for the employee and the employer's portion of Medicare tax.

For more details, see: www.irs.gov/coronavirus/new-employer-tax-credits

Economic Injury Disaster Loan (EIDL)

Economic Injury Disaster Advance Loan (EIDL)

- Each state Governor must request participation for its businesses and nonprofit organizations from the Small Business Administration (SBA)
- \$10,000 advance to replace lost revenue
- Does not have to be repaid
- Applications were suspended April 15, 2020
- Currently, the only resumption of applications is for agricultural businesses

Economic Injury Disaster Loan (EIDL)

- Each state Governor must request participation for its businesses and nonprofit organizations from the Small Business Administration (SBA)
- Proceeds may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact
- The interest rate is 3.75% for small businesses. The interest rate for nonprofits is 2.75%
- Repayment could be up to 30 years based on ability to pay
- Contact SBA disaster assistance customer assistance center:
 - 1-800-659-2955
 - disastercustomerservice@sba.gov

Summary

- There are multiple programs available for assistance
 - Most are loans
 - Some are forgivable
 - There are deadlines and timing differences
 - All are through the SBA
- The rules have not all been written
- There may be more Acts from Congress
- Stay tuned!!
- Contact me for one-on-one assistance

James B. Jordan CPA, CFE, CGMA

- Thank you for attending today. Follow up questions and answers are available by contacting James B. Jordan CPA per below:
- **WWW.JamesBJordanCPA.COM**
- **james@jamesbjordancpa.com**
- **404-766-0830 office**
- 404-992-2945 (cell)

