Navigating through Employee Federal Mandates and Beyond: *Nonprofit Staffing, Operations, and Finance*

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Novel Coronavirus/COVID-19
Layoffs, Furloughs, and Unemployment
CARES Act: Pandemic Unemployment Assistance

- DRASTIC expansion of unemployment benefits - additional 13 weeks
- Maximum unemployment insurance benefit increased by $600 per week (March 27, 2020 through July 31, 2020)
- No waiting period (normally 1 week)
- For COVID-19-related unemployment from Jan. 27, 2020 through Dec. 31, 2020
- “Furlough” – eligible for unemployment benefits, AND continued employer-provided health insurance
Unemployment Benefits Are Now Available

• Employees for organizations of ALL sizes, ALL types of work
  – Employees of ALL nonprofits (even exempt employers)
  – Employees of churches and other non-covered nonprofits
  – Part-time workers, part-time unemployment (prorated benefits)
  – Newly employed
  – Promised a job that is no longer available

• Independent contractors/1099 workers
Exclusions from PUA Unemployment Benefits

• Those who are working – even if teleworking
• Those receiving paid sick or other paid leave (i.e., employed)
• Those are not able to work or available to work
• Not working, not laid off; nothing COVID-19-related
• Future seasonal work
• Unemployed – after 39 weeks
Qualifying Conditions for COVID-19-Related Unemployment Benefits - Self-Certification

- Employee diagnosis of COVID-19 or experiencing symptoms of COVID-19 that requires a medical diagnosis.
- Member of the employee’s household - diagnoses of COVID-19.
- Employee is providing care for a family member or member of her household with COVID-19 diagnosis.
- Member of employee’s household for which he or she has primary caregiving responsibility can’t attend school or another facility, closed as direct result of COVID-19 public health emergency and therefore the employee is unable to work.
- Employee is unable to work because of a COVID-19-related quarantine.
- Employee is unable to work because of health care provider’s recommended self-quarantine.
- Individual scheduled to start a job but is unable, due to COVID-19 public health emergency.
- Employee has become a “major support for a household,” due to death of household breadwinner from COVID-19.
- Employee has quit his or her job as a direct result of COVID-19.
- Place of employment is closed as a direct result of COVID-19.
What about resulting costs to nonprofit employers?

- Contributing Employers – increased tax liability? (long-term)
- Reimbursable Employers – liability for $\frac{1}{2}$ of unemployment costs, for up to 13 weeks maximum (through 12/31/2020)
- Non-covered Employers (e.g., churches, church-controlled religious organizations, employers with less than four employees and not covered) – no liability
Unemployment Math - Illinois

- Regular unemployment benefit is 47% of $1000 per week maximum earnings - $471
- If spouse too – maximum benefit of $561, if child(ren) too – maximum benefit of $645
- PLUS $600 per week – per CARES Act (through July 31, 2020)
- Subject to 10% income tax (different than other taxable wages)
- Example #1: Employee earns $1000 per week, single – laid-off; $1071 per week ($471 + $600)
- Example #2: Employee who earns $500 per week - $235 weekly benefits, plus $600 per week = $835 per week
For tax-exempt organizations, must show that operations were fully or partially suspended due to a COVID-19.

Credit - 50% of “qualified employee wages” paid 3/12/20 – 12/31/20

“Qualified employee wages” includes up to $10,000 of compensation, including health benefits, per eligible employee (i.e., $5000 maximum per employee)

Time period: from March 13, 2020 through December 31, 2020
• “Qualified Wages” – wages paid to employees while not providing services due to COVID-19 related circumstances (if >100 employees)

• If <100 full-time employees, all wages qualify for credit whether employer is open for business or subject to a shut-down order.
CARES Act – Employee Retention Credit

• Limitations:
  – Employers that receive a loan under the PPP or EIDL programs are NOT eligible
  – Wages taken into account for FFCRA paid leave cannot be used for employee retention credit
Employee Retention Credit Example

- ORG: Fully or partially suspends operations due to COVID-19
- 50 employees
- All employees receiving “qualifying employee wages” over $10,000
- Credit = 50 x ($10,000 x 50%) = 50 x $5000 = $250,000
- Apply credit against employer’s social security taxes otherwise owed, with excess treated as overpayment and eligible for refund to employer
Payroll Tax Deferral

- **Tax “Holiday”**
  - Employers can defer payment of the 2020 6.2 percent Social Security payroll tax (this provision does not include the 1.45% Medicare tax)
  - Deferred tax must be paid over next two years, half by 12/31/21 and other half by 12/31/2022
  - Not available for employers who have received SBA loan debt forgiveness (PPP loan forgiveness)
  - **BUT:** Risk of potential liability (against employer) if not repaid
  - All organizations that pay Social Security payroll taxes qualify
Nonprofit Leaders are Asking...

• Should we shut down – some or part of our operations?

• How do we keep going and weather the storm financially, even with reduced revenues?

• How will we meet payroll? Other expenses?

• What federal financial assistance is available, and should we apply (religious liberty “strings” and related implications)?

• How can we identify opportunities, engage compassionately and creatively, for now and the future