



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

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Novel Coronavirus/ COVID-19



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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



CARES Act – Employee Retention Credit

- 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



CARES Act – Employee Retention Credit

- “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 = $50 \times (\$10,000 \times 50\%) = 50 \times \$5000 = \$250,000$
- Apply credit against employer’s social security taxes otherwise owed, with excess treated as overpayment and eligible for refund to employer
- GREAT IRS FAQ: <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>



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