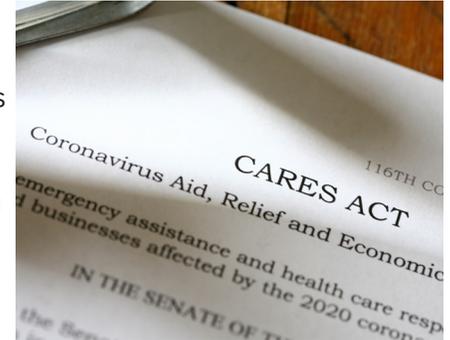


## Financial Considerations in a Pandemic

New Covenant Trust Company is a trusted partner for churches and ministries across the PC(USA). We are providing highlights of financial information that you may find useful in the midst of this pandemic. If you are seeking quality planning to help you navigate this uncertain economic time, contact a member of our team for help and guidance.

### The CARES Act

Coronavirus Aid, Relief, and Economic Security (CARES) Act is a \$2 trillion emergency fiscal stimulus package to help ease the effects of the resulting economic damage from COVID-19.



### This new law offers options, including:

- **Loans for capital to cover the cost of retaining employees** as part of the *Paycheck Protection Program*.
- **A quick infusion of a smaller amount of cash to cover costs right now** through the *Emergency Economic Injury Disaster Loan (EIDL)*, the *Employer Deferral of Payroll Taxes* provision, or the *Employee Retention Credit*.

#### 1. Paycheck Protection Program Loans: (emergency SBA 7(a) loan)

- Overview:** Creates an emergency loan program providing loans of up to \$10 million for eligible businesses and nonprofits, including churches, permitting them to cover costs of payroll, operations, and debt services. Section 1102
- Eligibility:** Defines eligibility for loans as a small business, 501(c)(3) nonprofit, a 501(c)(19) veteran's organization, or Tribal business concern described in section 31(b)(2)(C) of the Small Business Act with not more than 500 employees, or the applicable size standard for the industry as provided by SBA, if higher (*SBA*).
- Loan Details & Forgiveness:** The loan may be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees (*SBA*).
- When and How to Apply:** Beginning on April 3, 2020. You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program (*SBA*). **We encourage you to gather payroll documentation to calculate your average monthly payroll expenses and to apply as quickly as possible because there is a funding cap.**
- e. [Application Form Here](#)

## 2. Emergency EIDL Grants:

- a. **Overview:** Expands eligibility for access to Economic Injury Disaster Loans (EIDL) for eligible nonprofits and other applicants with 500 or fewer employees.
- b. **Loan Details:** Establishes an Emergency Grant to allow an eligible entity that has applied for an EIDL loan due to COVID-19 to request an advance on that loan, of not more than \$10,000, which the SBA must distribute within three days (CARES). The \$10,000 is considered a grant, and the applicant is not obligated to return the grant even if the EIDL loan application is denied.
- c. [Application Form Here](#)

## 3. Employee Retention Credit:

- a. **Overview:** This provision provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. Section 2301.
- b. **Credit Details:** For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from March 13, 2020, through December 31, 2020. Section 2301.

## 4. Deferral of Payment of Employer Payroll Taxes:

- a. **Overview:** Employers may defer payment of employer payroll taxes attributable to wages paid during 2020 with 50% due December 31, 2021, and the remaining 50% deferred to December 31, 2022.
- b. **Deferral Details:** For the purposes of this provision applicable to churches and other nonprofit organizations, payroll taxes are only the employer's portion of the Federal Insurance Contribution Act (FICA) -- 6.2%, not the 1.45% Medicare Tax. This provision is not similar to a loan that can be renegotiated when it comes due. The IRS will expect to be paid the amount of employer's FICA taxes on December 31, 2021, and December 31, 2022. Section 2302.

**Note: This provision is not available to an employer who has had its debt forgiven in connection with the Payroll Protection Program.**

## 5. Tax Benefits to Individuals and Businesses:

- a. **Individual Deduction:** Individuals are allowed to deduct up to \$300 of cash contributions "above the line", regardless of whether they itemize their deductions. The 50% of adjusted gross income limitation on charitable contributions is suspended for 2020.
- b. **Business Deduction:** The 10% limitation on charitable deductions increased to 25% of taxable income for businesses.

## 6. Direct Payments to Individuals:

- a. The act provides that each US individual will receive up to \$1,200 and an additional \$500 for every child. Higher-income taxpayers will receive a reduced payment that begins phasing out after \$75,000 in adjusted gross income for a single taxpayer, \$112,500 for a head of household filer, and \$150,000 for married couples who file a joint return. Single taxpayers with incomes exceeding \$99,000, \$146,500 for head of household filers with one child, and \$198,000 for joint filers will not receive a payment. The taxpayer's 2019 tax return, if filed, or in the alternative, their 2018 return, will determine the payment.
- b. For those who are eligible, payments should arrive within three weeks. If the IRS has your bank account information, you do not need to apply. The money will be directly deposited into your account. NOTE: Criminals pretending to be working for the IRS are contacting individuals and requesting bank account information.

## Other Financial Considerations

- 1. Insurance Policies:** An organization should review its insurance policies to determine if it is eligible for insurance benefits. There is at least one if not more carriers that underwrite church policies that provide pandemic or communicable disease benefits.
- 2. Donor Relations and Gifts:** During times of economic distress, organizations may feel that it is important to increase fundraising activities. While there are some who may have the means to continue to support your church or ministry as they have done in the past, or even contribute more, many people are feeling the effects of economic instability. It is important to be sensitive to those concerns. Continue to tell your story of how your church or ministry is serving your community. Make it easy for people to give electronically by offering online giving. The Presbyterian Foundation can help your PC(USA) ministry or church get online giving set up (see our website for details).
- 3. Cash Flow Considerations:** Congregations and church institutions may be experiencing cash flow issues due to decreased contributions. Below are several ideas to help manage cash flow during this time.
  - a. Relaxed Payment Terms:** The organization should be proactive and contact their banks and vendors. Consider requesting interest-only payments on debt and relaxed payment terms.
  - b. Review Expenses:** This is a time when financial reports should be produced and reviewed frequently. The organization should thoroughly review all expenses. Expenses that might be reduced include subscriptions. The organization can work with vendors to put noncritical subscriptions on hold. Utilities should be reviewed to make sure there is no excess spending.
- 4. Additional Resources:** Of most importance, the organization should be creative during these times. Consider reaching out to members and other supporters in creative and engaging ways. The Presbyterian Foundation has numerous resources to assist with this.



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David English, CFP®, uses his expertise in trends, current developments in the capital markets, trust, charitable giving, and investment product marketplace to assist in the development and execution of strategic plans to support client retention and communication efforts. You can reach David at [David.English@PresbyterianFoundation.org](mailto:David.English@PresbyterianFoundation.org) or his office phone number, (502) 569-5922.

*As this legislation is new, complete guidance is not yet available. As we learn of additional guidance, we will share it with you.*

*New Covenant Trust Company, N.A. does not render legal, tax or professional advisory services. For advice and assistance in specific situations, the services of an attorney or other professional advisor should be obtained. This is informational only, and does not constitute advice, legal or otherwise; New Covenant Trust Company, N.A. makes no representations that this document complies with the specific requirements of local law.*