

CARES Act Tax Provisions for Not-for-Profit Organizations

INDIVIDUAL PROVISIONS

Section Title	Highlights of New Law
Special Rules for Use of Retirement Funds	<ul style="list-style-type: none"> • Can withdraw up to \$100,000 from a qualified retirement fund in 2020 with no 10% early distribution penalty • Regular tax from the distribution may be spread over 3 years • TP may repay funds to an eligible plan within the 3 year window without regard to the contribution cap during that year • Amount repaid will be treated as a rollover contribution and will not be included in gross income • Applies to individual or family members diagnosed with coronavirus or someone who was financially affected by coronavirus due to layoff, furlough, reduced hours, lack of child care or closed business
Temporary Waiver of RMD Rues for Certain Retirement Plans and Accounts	<ul style="list-style-type: none"> • The Act suspends RMDs for 2020 • Does not apply to defined benefit plans • Applies to all distributions due in calendar 2020, including ones due on April 1, 2020 to an individual who turned 70 1/2 during 2019
Allowance of Partial Above the Line Deduction for Charitable Contributions	<ul style="list-style-type: none"> • Non-itemizers make take a \$300 charitable contribution deduction against their AGI in 2020 • The contribution may not be made to a 509(a)(3) supporting organization or to donor advised funds.
Modification of Limitations on Charitable Contributions During 2020	<ul style="list-style-type: none"> • Cash contributions made in 2020 are not subject to the 60% AGI limitation; they are allowed 100%, but deduction cannot exceed AGI minus all other deductions allowed in the year • Donations to 509(a)(3) supporting organizations or to donor advised funds are not eligible for the 100% deduction • Unused 100% contributions may be carried forward as 60% contributions for the succeeding 5 years • Taxpayer must make an election on their 2020 return to deduct at 100%
Exclusion of certain employer payments of student loans	<ul style="list-style-type: none"> • Employers who pay employee's student loan payments up to January 1, 2021 may exclude up to \$5,250 of those payments from the employee's income • The \$5,250 annual maximum exclusion applies to both student loans repayments (principal and interest) as well as other education assistance such as tuition, books and fees provided by the employer under current law.

BUSINESS PROVISIONS

Section Title	Highlights of New Law
Employee Retention Credit for Employees Subject to Closure due to COVID-19	<ul style="list-style-type: none"> • Eligible employers that retain their employees will receive a payroll tax credit equal to 50% of eligible employee wages incurred from March 13 to December 31, 2020 • Eligible employers are ones who were shut down by the government or had revenues drop by more than 50% compared to the same quarter in 2019 • Eligible wages are wages up to \$10,000 per employee plus health care benefits

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- Wage criteria is different for businesses with > 100 FT employees vs. those with < 100 FT employees
- Wages that qualify for the sick leave credit and FMLA credit under the prior CV bills do not qualify for this credit
- Employers who take loans under the Paycheck Protection Program (Sec 1102 of the CARES Act) are not eligible for this credit
- The credit will be taken against the employer's share of social security taxes (6.2%); if credit is greater than liability, the excess will be refunded
- You will need to run the numbers to see if the retention credit will be more advantageous for the client vs. the Paycheck Protection Program

Delay of Payment of Employer Payroll Taxes	<ul style="list-style-type: none"> • The employer will be able to defer its share of the social security tax (6.2%) on wages paid from March 13 - December 31, 2020 • Self-employed may delay the deposit of 1/2 of the individual's SE tax liability • 50% of the deferred taxes need to be paid by December 31, 2021 and the remaining 50% by December 31, 2022
Modifications for Net Operating Losses	<ul style="list-style-type: none"> • NOLs arising in a tax year beginning after December 31, 2018 and before January 1, 2021 may be carried back 5 years • Taxpayer can relinquish the 5 year carryback with an irrevocable election • 80% limitation waived; NOLs can fully offset income; (80% limitation comes back for tax years beginning after December 31, 2020) • NOLs cannot offset Section 965(a) income in carryback years; taxpayer can exclude carryback years in which 965(a) applies
Self-Insured Nonprofits and Unemployment	<ul style="list-style-type: none"> • Reimburses self-insured nonprofit organizations 50% of the amounts of benefits provided to employees during the "Applicable Period", that being March 13, 2020 - December 31, 2020 • Funds for this provision will be provided by the FED to states "at such times" as the Secretary of Labor considers appropriate