

# LIVE WEBINAR



## Jumpstart your Nonprofit:

Understanding and Maximizing  
COVID-19 Financial Relief

June 15, 2021 | 1pm EDT

**Presented by:**

David Manbeck, CPA

Benjamin Bostic, CPA

Mark Banks, CPA, CFE, MAFF

**Boyer & Ritter** LLC

# Objective

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Broaden your understanding of the Families First Coronavirus Response Act (FFCRA), Paycheck Protection Program (PPP), and Employee Retention Tax Credit (ERTC) and how your organization can benefit from these programs.

# Agenda

- Overview of available programs
- Review changes and extension of FFCRA program
- Understanding the PPP loan forgiveness process
- Determine eligibility under ERTC and available credits
- Maximizing PPP forgiveness and ERTC credits
- How to claim FFCRA and ERTC tax credits

# Available Programs

## **Family First Coronavirus Response Act tax (FFCRA) payroll tax credit**

- The FFCRA provides organizations with tax credits to cover certain costs of providing employees with paid sick leave and expanded family and medical leave reasons related to COVID-19.
- American Rescue Plan Act of 2021 amended and extended the tax credit through September 30, 2021.

## **Employee Retention Tax Credit (ERTC)**

- The ERTC provides organizations with tax credits equal to 50%/70% of qualifying wages.
- American Rescue Plan Act of 2021 amended and extended the tax credit through December 31, 2021.

## **EIDL Loans**

- Maximum loan amount increased from \$150,000 to \$500,000.
- Targeted EIDL Advance and Supplemental Targeted Advance programs.

# Families First Coronavirus Response Act (FFCRA)

- Eligible to employers who
  - Have fewer than 500 employees
  - Pay qualified sick wages and/or qualified family leave wages
- Credit is equal to 100% of qualified sick wages and/or qualified family leave wages (and allocable qualified health plan expenses and Medicare tax on qualifying wages).
- Fully refundable

# Qualified Sick/Family Leave Wages

Pay to employees for periods of leave during which they are unable to work or telework because the employee is:

- Subject to Federal, State, or local quarantine
- Advised by a health care provider to self-quarantine
- Experiencing symptoms of COVID-19 and seeking a medical diagnosis
- Caring for a child if the school or place of care of the child has been closed or the childcare provider of such child is unavailable due to COVID-19 precautions
- Obtaining a COVID-19 vaccination or is recovering from any injury, disability, illness, or condition related to a COVID-19 vaccination

# FFCRA Available Credit

- Employee's own health needs
  - Up to two weeks (up to 80 hours) at the employee's regular rate of pay
  - Maximum of \$511 per day and \$5,110 in aggregate
- Employee's care for others
  - Equal to two-thirds of the employee's regular rate of pay
  - Maximum of \$200 per day and \$2,000 in aggregate
- Family Leave Wages
  - Equal to two-thirds of the employee's regular rate of pay
  - Maximum of 10 additional weeks, or \$10,000 in aggregate

# FFCRA Available Credit (cont.)

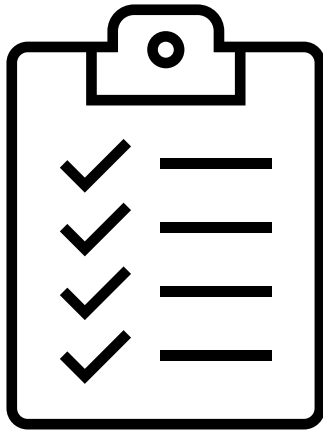
- Allocable health plan expenses
- Employer portion of Medicare tax on qualified sick/family leave wages
- NOTE: qualified sick/family leave wages are not subject to the employer portion of Social Security taxes



# FFCRA Changes

- FFCRA originally available April 1, 2020 – December 31, 2020
  - Congress extended leave until March 31, 2021
  - ARPA further extended the program until September 30, 2021
- The “clock” resets April 1, 2021
- Beginning April 1, 2021, credit expanded for the following reasons:
  - Employee is seeking or awaiting the results of a diagnostic test for COVID-19 at the employer’s request
  - Employee is obtaining or recovering from a COVID-19 immunization

# Documentation Requirement



- Employers should substantiate eligibility for the sick leave or family leave credits by maintaining the following information:
  - Employee's name
  - Date or dates of leave
  - Statement of the COVID-19 related reason the employee is on leave
  - Statement that the employee is unable to work, including by means of telework
  - Calculation of qualified sick/family leave wages
  - Calculation of allocable qualified health plan expenses

# Paycheck Protection Program (PPP) – Background

## Eligible expenses include:

- Payroll costs
  - Gross Wages
  - ER contributions for:
    - Employee Health Insurance
    - Employee Retirement Plan
    - State and Local Taxes
- Business Mortgage Interest
- Business Rent or Lease Payments

# PPP – Quick Background (cont.)

## Eligible expenses continued:

- Business Utility Payments
  - Electricity
  - Water
  - Sewage
  - Internet
- Operations Expenditures
- Property Damage Expenditures
- Supplier Costs
- Worker Protection Expenditures

# Current State – PPP 1

- 8 - 24 weeks is over for every borrower
- Most lenders are ready and pushing to receive forgiveness applications
- Regarding forgiveness:
  - 71% of PPP loans have not yet applied for forgiveness
    - Of the 29% submitted, approximately 99% of the loan value has been forgiven
- If not yet applied, it's time to focus on preparing your application

# PPP 1 – Next steps

If you have not applied for forgiveness yet, here are some things to consider:

1. The 10-month window is nearing the end
2. Your lender is a great resource
3. Common support to be submitted includes:
  - 940/941 Tax Forms
  - Unemployment Tax Forms
  - Payroll Register
  - Invoice and Payment support (as applicable)

# Current State – PPP 2

- 8 - 24 weeks is nearing the end for most borrowers
- Most lenders are ready to accept forgiveness applications
  - However, much of the lender's resources are focused on PPP 1 forgiveness at this time
- Regarding forgiveness:
  - Much of the inputs and calculations required for PPP 2 are the same as PPP 1
    - FTE Lookback period
    - Base Wage Comparison
    - Safe Harbor Responses

# PPP 2 – Next steps

Many PPP 2 borrowers are in the covered period, and should consider:

1. Continue paying employees and operating as “normal”
2. Consider the use of the full “24-week” covered period
3. Start documenting and calculating PPP 2 forgiveness figures
  - a. Since the vast majority of PPP 2 calculations are the same as PPP 1, you may be able to start the application prior to completing the full covered period



# Applying For Forgiveness

The image displays two versions of the Paycheck Protection Program Loan Forgiveness Application Form. The top form is the standard Form 3508, and the bottom form is the simplified Form 3508EZ. Both forms are designed to help businesses apply for forgiveness of their PPP loans. Key sections include:

- Business Information:** Business Legal Name, Business Address, Business EIN/ID, SSN, Business Phone, Primary Contact, and Email Address.
- Loan Details:** SBA PPP Loan Number, Lender PPP Loan Number, PPP Loan Amount, PPP Loan Disbursement Date, Employees at Time of Loan Application, and EIDL Application Number.
- Payroll Schedule:** The frequency with which payroll is paid to employees in:  Weekly,  Biweekly (every other week),  Twice a month,  Monthly, or  Other.
- Covered Period:** The period for which the loan is being applied for.
- Forgiveness Amount Calculation:** A series of lines (1-11) for calculating the forgiveness amount based on payroll costs, business mortgage interest, and other eligible expenses.

- Form 3508
- Form 3508EZ
- Form 3508S

# Employee Retention Tax Credit

The Consolidated Appropriations Act, 2021 (signed into law 12/27/20) retroactively amended the CARES Act to permit PPP borrowers to also receive the Employee Retention Credit. As a result...

- Employers may be eligible for up to a \$5,000 refundable credit, per employee, per year in 2020.
- And in 2021, businesses may be eligible for up to a \$7,000 refundable credit, per employee, per quarter, through December 31, 2021.



# 2020 ERTC Rules

- **Business disruption test:** Had to fully or partially suspend trade or business due to government order resulting from the COVID-19 emergency.
- **Gross receipts test 2020:** Experienced a 50% decline in gross receipts during a calendar quarter in 2020 when compared to the same calendar quarter in 2019. Eligibility continues until first day of the quarter after the quarter that gross receipts increase to >80% of the same quarter in 2019.
- Businesses with 100 or fewer full-time employees can use payroll costs associated with all employees paid during the period the business qualified for the employer retention credit. Businesses with more than 100 full-time employees may only claim the credit for payroll costs paid to employees not providing services.
- Available for qualified wages paid to employees after March 12, 2020, and before January 1, 2021.

# Revenue Reduction Example - 2020

	Jan – March	April – June	July – Sept	Oct – Dec	Annual
2019	240,000	250,000	250,000	250,000	990,000
2020	300,000	125,000	210,000	120,000	755,000
	125%	50%	84%	48%	76%

- Business become eligible for ERTC during Q2 of 2020 because revenue declined 50% compared to Q2 of 2019.
- Business loses eligibility at the end of Q3 because gross receipts were > 80% compared to Q3 of 2020.
- Business becomes eligible for ERTC again during Q4 of 2020 because gross receipts declined >50% compared to Q4 of 2019.

# 2021 ERTC Rules

- **Business disruption test:** Had to fully or partially suspend trade or business due to government order resulting from the COVID-19 emergency.
- **Gross receipts test 2021:** Experienced a 20% decline in gross receipts during the current or the immediately preceding calendar quarter compared to the same calendar quarter in 2019.
- Businesses with 500 or fewer full-time employees can use payroll costs associated with all employees paid during the period the business qualified for the employer retention credit. Businesses with more than 500 full-time employees may only claim the credit for payroll costs paid to employees not providing services.
- Available for qualified wages paid to employees after December 31, 2020, and before January 1, 2022.

# Revenue Reduction Example - 2021

	Jan – March	April – June
2019	500,000	500,000
2021	300,000	550,000
	60%	110%

- Business is eligible during Q1 of 2021 because they experienced a >20% decrease in gross receipts compared the Q1 of 2019.
- Business is eligible during Q2 of 2021 because they experienced a >20% decrease during the preceding quarter, Q1 of 2021 compared to Q1 of 2019. Despite gross receipts during the quarter exceed the same quarter in 2019.

# Revenue Reduction Example - 2021

	Jan – March	April – June	July – Sept	Oct – Dec	Annual
2019	240,000	250,000	250,000	250,000	990,000
2020	300,000	125,000	210,000	120,000	755,000
	125%	50%	84%	48%	76%

- Business is eligible during Q1 of 2021 because they experienced a >20% decrease during the preceding quarter, Q4 of 2020 compared to Q4 of 2019.

# Business Disruption Example

**Scenario:** A nonprofit organization must close its gym due to government order closing all indoor recreation, health and wellness facilities and personal care services. The organization is allowed to continue other activities in accordance with CDC and state government orders.

- **Question:** Does the organization have a full or partial suspension of operations?
- **Answer:** The organization's business operations are considered to be partially suspended because a portion of its business operations – its gym – is closed due to the governmental order.



# Gym Example Continued...

- Two months later, under a subsequent governmental order, the organization is permitted to reopen the gym but at 25% occupancy. During this period, the organization's business operations continue to be considered to be partially suspended because the governmental order restricting the occupancy of the gym has **more than a nominal effect on its operations**.
- The following month, the government orders restricting occupancy are lifted. The Organization must still follow CDC guidelines that require individuals to wear a mask and social distance. During this period, the organization's business operations are not longer considered to be partially suspended. The organization's ERTC eligibility due to a government order ends on the day the government order is changed.

# Business Disruption Example

**Scenario:** An educational school camp, is an essential business and is not required to close its locations or suspend its operations. Due to a governmental order that limits travel and requires members of the community to stay at home except for certain essential travel, such as going to the grocery store, the summer camp's business has declined significantly.

- **Question:** Does the business have a full or partial suspension of operations?
- **Answer:** Business is not considered to have a full or partial suspension of operations due to a governmental order. However, business may be considered an Eligible Employer if it has a significant decline in gross receipts.

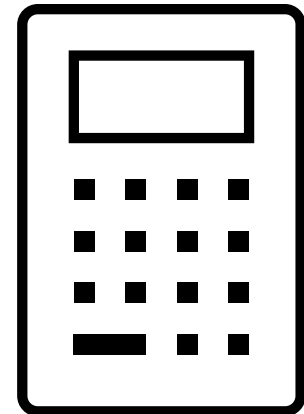
# Business Disruption Example

**Scenario:** A nonprofit legal services organization maintains an office in a city where the mayor has ordered that only essential businesses may operate. The organization is not essential under the mayor's order which requires the business to close its office. All of the organization's employees are teleworking.

- **Question:** Does the organization have a full or partial suspension of operations?
- **Answer:** The organization's operations are not considered to be fully or partially suspended by the governmental order because its business operations may continue in a comparable manner.

# ERTC Calculation

- In 2020, the credit allows employers to claim a 50 percent refundable credit on qualified wages up to \$10,000 per worker per year.
- In 2021, the credit allows employers to claim a 70 percent refundable credit on qualified wages up to \$10,000 per worker per calendar quarter.
- Qualified wages include wages paid to employees. Health care expenses are includable to the extent that they are excluded from the employees' gross income.



# Full-Time Employee - Defined

**Average full-time employees:** Full-time workers are employees who, in any calendar month, had an average of at least 30 hours of service per week or 130 hours of service in the month.

# PPP and ERTC Intersection

- The same wages (including healthcare costs) cannot be used for PPP, FFCRA and ERTC purposes.
- PPP loan borrowers should delay submitting loan forgiveness applications until all wages eligible for ERTC purposes have been identified.
- PPP loan borrowers who have already filed for forgiveness can use excess wages reported on PPP loan forgiveness application for FFCRA and ERTC purposes.

# PPP and ERTC Strategies

- Reduce each employee's wages applied to PPP by \$10,000 (each quarter for 2021).
- Limit payroll costs for PPP loan forgiveness to 60% of the PPP loan.
  - If filing 3508S – which wages for each can be determined at a later time.
  - Evaluate all non-payroll costs to reach 40% of the loan value.
- Prioritize PPP over ERTC
  - PPP is 100% forgivable.

# How to Claim the Credit

- Claim on Form 941 for any credit earned in the current quarter
- File 941-X to amend a quarter already filed
- File Form 7200 to claim in advance for the current quarter

Form **941 for 2020: Employer's QUARTERLY Federal Tax Return** (Rev. July 2020) Department of the Treasury — Internal Revenue Service 950120 OMB No. 1545-0029

**Report for this Quarter of 2020**  
(Check one.)

- 1: January, February, March
- 2: April, May, June
- 3: July, August, September
- 4: October, November, December

Go to [www.irs.gov/Form941](http://www.irs.gov/Form941) for instructions and the latest information.

Employer identification number (EIN)  -  -  -  -  -  -  -  -  -  -  -  -

Name (not your trade name)

Trade name (if any)

Address  
Number Street Suite or room number  
City State ZIP code  
Foreign country name Foreign province/country Foreign postal code

Read the separate instructions before you complete Form 941. Type or print within the boxes.

**Part 1: Answer these questions for this quarter.**

1 Number of employees who received wages, tips, or other compensation for the pay period including: Sept. 12 (Quarter 3) or Dec. 12 (Quarter 4) . . . . . 1

2 Wages, tips, and other compensation . . . . . 2

3 Federal income tax withheld from wages, tips, and other compensation . . . . . 3

4 If no wages, tips, and other compensation are subject to social security or Medicare tax  Check and go to line 6.

	Column 1		Column 2
5a Taxable social security wages . . . . .	<input type="text"/>	$\times 0.124 =$	<input type="text"/>
5a (i) Qualified sick leave wages . . . . .	<input type="text"/>	$\times 0.062 =$	<input type="text"/>
5a (ii) Qualified family leave wages . . . . .	<input type="text"/>	$\times 0.062 =$	<input type="text"/>
5b Taxable social security tips . . . . .	<input type="text"/>	$\times 0.124 =$	<input type="text"/>
5c Taxable Medicare wages & tips . . . . .	<input type="text"/>	$\times 0.029 =$	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>	<input type="text"/>	$\times 0.009 =$	<input type="text"/>
5e Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d			<input type="text"/>
5f Section 3121(q) Notice and Demand—Tax due on unreported tips (see Instructions) . . . . .			<input type="text"/>
6 Total taxes before adjustments. Add lines 3, 5e, and 5f . . . . .			<input type="text"/>
7 Current quarter's adjustment for fractions of cents . . . . .			<input type="text"/>
8 Current quarter's adjustment for sick pay . . . . .			<input type="text"/>
9 Current quarter's adjustments for tips and group-term life insurance . . . . .			<input type="text"/>
10 Total taxes after adjustments. Combine lines 6 through 9 . . . . .			<input type="text"/>
11a Qualified small business payroll tax credit for increasing research activities. Attach Form 8974			<input type="text"/>
11b Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1			<input type="text"/>
11c Nonrefundable portion of employee retention credit from Worksheet 1 . . . . .			<input type="text"/>

**You MUST complete all three pages of Form 941 and SIGN it.**

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 170012 Form **941** (Rev. 7-2020)





# How Can Boyer & Ritter Help

- Help determine FFCRA and ERTC eligibility
- Help prepare loan forgiveness application
- Help maximize PPP forgiveness and ERTC opportunities

## Business Relief and PPP Loan Forgiveness Support Services

Our firm has been at the forefront of supporting businesses throughout the pandemic in helping to understand, plan, and maximize options for relief. Boyer & Ritter's business relief services team is experienced and has the tools and capabilities to support your business in helping to understand relief legislation and criteria for loan forgiveness.

### Related Industries

[Construction](#)

[Dealerships](#)

[Manufacturing](#)

[Real Estate](#)

[Transportation](#)

# Questions?

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**David J. Manbeck, CPA**  
dmanbeck@cpabr.com

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bbostic@cpabr.com

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# THANK YOU



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