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An Overview of the CARES Act for Churches

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Key highlights from the government's \$2.2 trillion stimulus plan responding to COVID-19.

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The 900-page, \$2.2 trillion *Coronavirus Aid, Relief, and Economic Security (CARES) Act* became law on March 27, 2020. It is the third package enacted by Congress in response to the COVID-19 (coronavirus) outbreak.

I have written a [detailed analysis](#) regarding key provisions from the CARES Act that are most relevant to churches and church staff. It is [accessible to members](#) of ChurchLawAndTax.com. Below is a brief, free overview covering some of these key provisions.

Key Provisions of the Act

Individual help

All US residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible Social Security number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$500 per child.

This is true even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as Supplemental Security Income (SSI) benefits.

Join Richard Hammar on Thursday, April 2, 2020, for a free, one-hour webinar (open to the public) on key provisions of the CARES Act. [Register now.](#)

Key point. The rebate is treated like other refundable tax credits, such as the child tax credit and earned income tax credit, and is not considered taxable income. For the vast majority of Americans, no action on their part

will be required to receive a rebate check since the Internal Revenue Service (IRS) will use a taxpayer's 2019 tax return if filed (or their 2018 return if they haven't filed their 2019 return).

Employee retention credit

- This is a credit designed to prevent layoffs and keep workers on the job.
- Tax-exempt employers are eligible.
- Eligible employers are allowed a credit against employment taxes (FICA, income tax) based on a specific formula. The fully refundable credit would be available to any business or non-profit that has a furloughed or reduced workforce as a result of a forced closure or the quarantining of employees. The credit would also be available to any business that has seen a 50 percent drop in gross receipts when compared to the same quarter last year.
- A special rule applies to eligible small employers (those with 100 employees or less) that provides a 50-percent credit for all wages paid, regardless of whether employees are furloughed or not.
- The credit is capped and is refundable against payroll taxes.

Key point. If an eligible employer receives a forgivable loan under the Paycheck Protection Program (see below), it is not eligible for the employee retention credit under this section.

Paycheck Protection Program (PPP)

- The Act establishes a new US Small Business Administration loan program called the Paycheck Protection Program for small employers (including nonprofits and churches) with 500 or fewer employees to help prevent workers from losing their jobs and small businesses from failing due to economic losses caused by the COVID-19 pandemic.
- The program provides federally guaranteed loans to cover payroll and other operating expenses.
- To be eligible, the small employer must have been harmed by the pandemic between February 15, 2020, and June 30, 2020. The Act requires eligible borrowers to make a good-faith certification that (1) the loan is necessary due to the current economic conditions caused by COVID-19; (2) the funds will be

used to retain workers and maintain payroll, lease, and utility payments; and (3) they are not receiving duplicative funds for the same uses from another SBA program.

- Principal amounts on the loan for the first eight-week period from the time the loan was made may be forgiven if used to pay:
 - compensation under \$100,000 (per employee)
 - payment of interest on any obligation
 - rent
 - utilities
- The amount of loan forgiveness is reduced based on an employer's decline in workers or wages (declines between February 15, 2020, and April 26, 2020, do not reduce the amount of loan forgiveness but only if the employer returns to pre-decline levels by June 30, 2020).
- Any portion of a loan not forgiven is carried forward as an ongoing loan with a term of ten years at four percent interest.
- The program is retroactive to February 15, 2020, to help bring workers who may have already been laid off back onto payrolls. The loan period ends on June 30, 2020.

Key point. If an eligible employer receives an employee retention credit (see above), it is not eligible for the Paycheck Protection Program.

Unemployment insurance provisions

- The Act creates a temporary Pandemic Unemployment Assistance program through December 31, 2020, to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.

Key point. The application of this provision to church employees is unclear. State and federal laws [exempt from unemployment taxes](#) “service performed in the employ of a church, a convention or association of churches, or an organization that is operated primarily for religious

purposes and that is operated, supervised, controlled, or principally supported by a church or convention or association of churches.” Does the CARES Act’s temporary Pandemic Unemployment Assistance program apply to church employees on the ground that they “are not traditionally eligible for unemployment benefits”? This question needs clarification.

- The Act provides funding to support “short-time compensation” programs, where employers reduce employee hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit. This provision would pay 100 percent of the costs they incur through December 31, 2020.
- The Act provides additional payments and benefits to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.
- The Act provides an additional 13 weeks of unemployment benefits through December 31, 2020, to help those who remain unemployed after weeks of state unemployment benefits are no longer available.

Charitable contributions

The Act encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of cash contributions, whether they itemize their deductions or not.

Payroll taxes

- The Act 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.
- The Act allows employers and self-employed individuals to defer payment of the employer share of the Social Security tax they otherwise are responsible for paying to the federal government with respect to their employees.

Delay of certain deadlines

The Act extends the April 15 income tax-filing date to July 15. The filing date aligns with the extended payment filing date [already announced](#) by the IRS. The Act also allows all individuals to postpone estimated tax payments due from the date of enactment until October 15, 2020.

Key point. This provision is especially relevant to pastors who typically use the estimated tax procedure to prepay their federal taxes since they are exempt by law from income tax withholding.

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