



PPP LOAN FORGIVENESS Which Application Do I Use?

The SBA has **THREE** applications for PPP forgiveness: the 3508S, the 3508EZ or the 3508.

Only certain borrowers will be able to use the 3508S and 3508EZ forms. See below to determine which application you need to use. If you have any questions, contact your Traditional Bank lender.

3508S

If your PPP loan amount was \$50,000 or less, you qualify to apply for forgiveness using the 3508S form

3508EZ (you can qualify using any 1 of the 3 scenarios below)

- 1 You are self-employed and have no employees
- 2 You did not reduce the salary or hourly wage of any employee by more than 25% **AND** You did not reduce the number of employees or the average paid hours of those employees
- 3 You experienced reductions in business activity (including FTE's) as a result of health directives related to COVID-19 **AND** You did not reduce the salary or hourly wage of any employee by more than 25%

3508

If none of the above apply, you must complete the regular 3508 form



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508S**

OMB Control No. 3245-0407
Expiration date: 12/31/2020

**A BORROWER MAY USE THIS FORM ONLY IF THE BORROWER RECEIVED A PPP LOAN OF \$50,000 OR LESS.
A Borrower that, together with its affiliates, received PPP loans totaling \$2 million or greater cannot use this form.**

Business Legal Name ("Borrower")		DBA or Tradename, if applicable	
Business Address		Business TIN (EIN, SSN)	Business Phone
		() -	
		Primary Contact	E-mail Address

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____

EIDL Advance Amount: _____ **EIDL Application Number:** _____

Forgiveness Amount: _____

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

- _____ The dollar amount for which forgiveness is requested does not exceed the principal amount of the PPP loan and:
- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
 - includes payroll costs equal to at least 60% of the forgiveness amount;
 - if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
 - if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

_____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

_____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness, and has accurately calculated the forgiveness amount requested.

_____ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

_____ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

_____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

_____ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower

Date

Print Name

Title



**Paycheck Protection Program
PPP Loan Forgiveness Application Form 3508EZ**

OMB Control No. 3245-0407
Expiration date: 12/31/2020

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
		() -
	Primary Contact	E-mail Address

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____

EIDL Advance Amount: _____ **EIDL Application Number:** _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☐ **Other** _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4:

Line 6. PPP Loan Amount:

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):



**Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020**

OMB Control Number 3245-0407

Expiration Date: 12/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
	() -	
	Primary Contact	E-mail Address

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____ **Employees at Time of Forgiveness Application:** _____

EIDL Advance Amount: _____ **EIDL Application Number:** _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☐ **Other** _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

As provided under the legislation, the U.S. Department of Labor will be issuing implementing regulations. Additionally, as warranted, the Department will continue to provide compliance assistance to employers and employees on their responsibilities and rights under the FFCRA.

DEFINITIONS

“Paid sick leave” – means paid leave under the Emergency Paid Sick Leave Act.

“Expanded family and medical leave” – means paid leave under the Emergency Family and Medical Leave Expansion Act.

QUESTIONS & ANSWERS

1. **What is the effective date of the Families First Coronavirus Response Act (FFCRA), which includes the Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act?**

* The FFCRA’s paid leave provisions are effective on April 1, 2020, and apply to leave taken between April 1, 2020, and December 31, 2020.

2. **As an employer, how do I know if my business is under the 500-employee threshold and therefore must provide paid sick leave or expanded family and medical leave?**

You have fewer than 500 employees if, at the time your employee’s leave is to be taken, you employ fewer than 500 full-time and part-time employees within the United States, which includes any State of the United States, the District of Columbia, or any Territory or possession of the United States. In making this determination, you should include employees on leave; temporary employees who are jointly employed by you and another employer (regardless of whether the jointly-employed employees are maintained on only your or another employer’s payroll); and day laborers supplied by a temporary agency (regardless of whether you are the temporary agency or the client firm if there is a continuing employment relationship). Workers who are independent contractors under the Fair Labor Standards Act (FLSA), rather than employees, are not considered employees for purposes of the 500-employee threshold.

Typically, a corporation (including its separate establishments or divisions) is considered to be a single employer and its employees must each be counted towards the 500-employee threshold. Where a corporation has an ownership interest in another corporation, the two corporations are separate employers unless they are joint employers under the FLSA with respect to certain

FFCRA LEAVE OF ABSENCE: EMPLOYEE REQUEST FORM

Name	Date
Job Title	Office

TO BE COMPLETED BY EMPLOYEE:

A. I request a paid leave of absence under the Emergency Paid Sick Leave Act from _____ to _____ (insert dates). I am unable to work or telework because:

- ☐ 1. I am subject to a Federal, State, or local quarantine or isolation order related to COVID-10. Governmental entity ordering quarantine or isolation: _____
- ☐ 2. I have been advised by a health care provider to self-quarantine due to concerns related to COVID-19. Name of health care provider: _____
- ☐ 3. I am experiencing symptoms of COVID-19 and am seeking a medical diagnosis.
- ☐ 4. I am caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19 or who has been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
Name of individual and relationship to employee: _____
Name of Health care provider: _____
- ☐ 5. I am caring for my son or daughter because my child's school or place of care has been closed, or the child care provider of my child is unavailable, due to COVID-19 precautions.
Name(s) and age(s) of child(ren): _____
Name of school and/or place of care: _____
- ☐ 6. I am experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor.

Intermittent Leave: If you are report to the workplace to work, you can request intermittent leave for reason A5. If you are teleworking, you can request intermittent leave for reasons A1-6. Your request is subject to our mutual agreement.

I request (choose one): ☐ continuous leave ☐ intermittent leave

B. I request approval for a paid leave of absence under the Emergency Family and Medical Leave Expansion Act from _____ to _____ (insert dates) because:

- ☐ I am unable to work or telework due to a need to care for my son or daughter because my child's school or place of care has been closed or the child care provider of my child is unavailable, due to COVID-19 precautions.
Name(s) and age(s) of child (ren): _____
Name of school and/or place of care: _____

Intermittent Leave: If you are report to the workplace to work, you can request intermittent leave for reason A5. If you are teleworking, you can request intermittent leave for reasons A1-6. Your request is subject to our mutual agreement.

I request (choose one): ☐ continuous leave ☐ intermittent leave

FFCRA LEAVE OF ABSENCE: EMPLOYEE REQUEST FORM

Substitution of Paid Leave: Pursuant to the EFCRA, the first 10 days of your leave is unpaid. However, you may be eligible to utilize emergency paid sick leave (EPSL) provided under the FFCRA. You may also choose to utilize any available **vacation/sick time**. Please indicate below what paid leave, if any, you wish to utilize during your Emergency Family and Medical Leave (EFMLA):

☐ Sick/Vacation _____ hours ☐ EPSL _____ hours ☐ I do not wish to use paid leave

C. Other Information

If you requested intermittent leave above, please describe the nature of your intermittent leave (what days of the week you will need intermittent leave, what times of the day you can work on those days, and what times of the day you need intermittent leave on those days):

Days	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
Time(s) Can Work							
Time(s) Request Intermittent Leave							

If your child is 15 years of age or older, please describe the special circumstances that exist requiring you to provide care: _____

[OPTIONAL – SEE FOOTNOTE 2 BELOW] You may request to supplement your EPSL OR EFMLA with accrued paid leave that would otherwise be available for you to use under our Vacation/Sick polic[y/ies] for the purpose you identified above. For example, if you request EFMLA (in B above), you could likely use your accrued vacation to supplement your EFMLA, but you could not use your accrued sick leave – because no one is sick. Your request is subject to our mutual agreement and would supplement your EPSL or EFMLA up to the maximum amount of your normal pay.

☐ I request to supplement my EPSL/EFMLA leave with the following accrued paid leave:
☐ Vacation ☐ Sick Leave (limited to situations where you could otherwise take sick leave)

LEAVES OTHER THAN THOSE MENTIONED IN THIS FORMAT ARE NOT FFCRA ELIGIBLE

I understand that prior to any leave, I must make arrangements to continue insurance coverage if I am eligible. If my need for leave changes, including my inability to return to work as scheduled, I understand that I must contact HR and/or my supervisor immediately. Further, I understand that I must contact HR and/or my supervisor before I can return to work. Failure to do so may result in corrective action. I also understand that I may be required to provide a fitness for duty certification before being restored to employment.

Employee

Signature _____

Date _____

If I am requesting leave because I am unable to work or telework due to the fact my child (ren)'s school or place of care has been closed due to COVID-19 reasons, by signing below I attest that special circumstances exist that require me to provide care and no other person will be providing care to the child during the period in which I received family medical leave.

Employee

Signature _____

Date _____

1 EMPLOYERS: Highlights note areas you should insert applicable information.

2 EMPLOYERS: You do not have to agree to allow employees to supplement their EPSL and EFML. This paragraph is optional.

COVID-19 SELF-MONITORING CHECKLIST

☐ Diocesan Employee ☐ Visitor

Name: _____

Office: _____ Date: _____

With the ever-changing nature of COVID-19, there remains the possibility of exposure. Since we are "slowly" opening up campus/office spaces, we understand there is risk in doing so and can lead to additional exposure. You may work on-site or visit campus as long as you are able to honestly answer **NO** to the following questions. **However, please remember, if you develop any of the symptoms below, STAY HOME. Please do NOT come to the diocesan campus for your safety and the safety of others.**

SYMPTOMS OF INFECTION

YES

NO

- | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|
| • Fever of 100.4 or higher (_____) | _____ | _____ |
| • Cough | _____ | _____ |
| • Headache | _____ | _____ |
| • Sore throat | _____ | _____ |
| • Shortness of breath | _____ | _____ |
| • Fatigue | _____ | _____ |
| • Loss of taste or smell | _____ | _____ |
| • Unexplained body aches | _____ | _____ |
| • Have you been asked to self-isolate or quarantine by a medical professional or a local public health official? | _____ | _____ |
| • In the last 14 days have you had contact with anyone who's been diagnosed with or who may have symptoms associated with COVID-19 without personal protection equipment (PPE). | _____ | _____ |

If you answered YES to any of the above, then it is not safe to be on-site. Please return to your car and immediately contact your supervisor or the diocesan staff you had planned to meet with.

In addition to self-monitoring your symptoms, please continue to:

- Wear a mask at all times in the presence of others and/or when in any common areas.
- Wash your hands often and for at least 20 seconds at a time.
- Avoid touching your face.
- Practice social distancing by staying at least 6 feet away from others.
- Call your doctor if you have a fever, cough, and shortness of breath.

FORM UPDATED: 9/29/20

FFCRA Emergency Paid Leave Payroll Calculator

For earnings from 4/1/20 - 12/31/20

Employee Name: _____

fill in blue cells

Reason for Qualified Sick Leave related to COVID-19 (answer Yes to only one):

- | | |
|-----------|---------------------------------------------------------------------------------------------------------------------|
| <u>No</u> | 1. Employee's own quarantine or isolation order under federal, state or local law |
| <u>No</u> | 2. Employee's self-quarantine as advised by a health care provider |
| <u>No</u> | 3. Employee is experiencing symptoms and seeking a medical diagnosis |
| <u>No</u> | 4. Employee is caring for another individual subject to quarantine or isolation order |
| <u>No</u> | 5. Employee is caring for son or daughter as a result of the child's school closing or other child care unavailable |
| <u>No</u> | 6. Currently N/A |
| <u>No</u> | 7. Expanded Family Medical Leave (see below) |

Calculate Daily Qualified Leave Amount:

fill in blue cells

\$	-	Employee's qualified sick pay
		Regular rate of pay (hourly rate), must be at or above minimum wage
		Hours of qualified sick leave employee to be paid this payroll
		# of days of qualified sick leave this pay period

If employee covered by a qualified group health plan, complete the following:

_____ Qualified group health plan expenses allocated per day

Reason

1, 2, 3 \$ - Up to \$511/day (\$5,110 total); may not exceed 10 workdays or 80 hours

Reason

4, 5, 6 \$ - 2/3 of employee's regular pay, up to \$200/day (\$2,000 total); may not exceed 10 workdays or 80 hours

Qualified Family Leave (up to 10 weeks expiring on December 31, 2020), first 10 days may be unpaid:

BOTH of the following must apply:

A. Employee must be employed for at least 30 days

Employee is caring for his/her son or daughter as a result of the child's school closing or other child care being unavailable due

B. to COVID-19

Employee's daily paid leave amount for reasons A - B above, 2/3 of employee's regular pay, up to \$200/day (\$10,000 total); may not exceed 10 weeks

941 Credit	
\$ -	Total amount of Emergency Paid Sick Leave
\$ -	Total amount of Expanded FMLA Paid Leave
\$ -	Health Insurance allocation
\$ -	Employer's share of Medicare Tax
\$ -	Total credit to be taken on Form 941

If your payroll software is unable to calculate the social security portion of the credit, please use the total below:	
\$ -	Employer's share of Social Security Tax
\$ -	Total credit to be taken on Form 941

Subject to change as additional guidelines are published

<https://www.dol.gov/agencies/whd/pandemic/ffcr-a-questions>

<https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-required-paid-leave-provided-by-small-and-midsize-businesses-faqs>

Revised: 4/22/2020

Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records



Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

Step 1. Determine the employer share of social security tax this quarter after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C

1a	Enter the amount of social security tax from Form 941, Part 1, line 5a, column 2	1a	_____
1b	Enter the amount of social security tax from Form 941, Part 1, line 5b, column 2	1b	_____
1c	Add lines 1a and 1b	1c	_____
1d	Multiply line 1c by 50% (0.50)	1d	_____
1e	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits for amounts paid to your employees, enter the employer share of social security tax included on Form 941, Part 1, line 8 (enter as a positive number)	1e	_____
1f	Subtract line 1e from line 1d	1f	_____
1g	If you received a Section 3121(g) Notice and Demand during the quarter, enter the amount of the employer share of social security tax from the notice	1g	_____
1h	Employer share of social security tax. Add lines 1f and 1g	1h	_____
1i	Enter the amount from Form 941, Part 1, line 11a (credit from Form 8974)	1i	_____
1j	Enter the amount to be claimed on Form 5884-C, line 11, for this quarter	1j	_____
1k	Total nonrefundable credits already used against the employer share of social security tax. Add lines 1i and 1j	1k	_____
1l	Employer share of social security tax remaining. Subtract line 1k from line 1h	1l	_____

Step 2. Figure the sick and family leave credit

2a	Qualified sick leave wages reported on Form 941, Part 1, line 5a(i), column 1	2a	_____
2a(i)	Qualified sick leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(i), column 1, because the wages reported on that line were limited by the social security wage base	2a(i)	_____
2a(ii)	Total qualified sick leave wages. Add lines 2a and 2a(i)	2a(ii)	_____
2b	Qualified health plan expenses allocable to qualified sick leave wages (Form 941, Part 3, line 19)	2b	_____
2c	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145)	2c	_____
2d	Credit for qualified sick leave wages. Add lines 2a(ii), 2b, and 2c	2d	_____
2e	Qualified family leave wages reported on Form 941, Part 1, line 5a(ii), column 1	2e	_____
2e(i)	Qualified family leave wages included on Form 941, Part 1, line 5c, but not included on Form 941, Part 1, line 5a(ii), column 1, because the wages reported on that line were limited by the social security wage base	2e(i)	_____
2e(ii)	Total qualified family leave wages. Add lines 2e and 2e(i)	2e(ii)	_____
2f	Qualified health plan expenses allocable to qualified family leave wages (Form 941, Part 3, line 20)	2f	_____
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145)	2g	_____
2h	Credit for qualified family leave wages. Add lines 2e(ii), 2f, and 2g	2h	_____
2i	Credit for qualified sick and family leave wages. Add lines 2d and 2h	2i	_____
2j	Nonrefundable portion of credit for qualified sick and family leave wages. Enter the smaller of line 1l or line 2i. Enter this amount on Form 941, Part 1, line 11b	2j	_____
2k	Refundable portion of credit for qualified sick and family leave wages. Subtract line 2j from line 2i and enter this amount on Form 941, Part 1, line 13c	2k	_____

Step 3. Figure the employee retention credit

3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line 21)	3a	_____
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line 22)	3b	_____
3c	Qualified wages (excluding qualified health plan expenses) paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line 24). Enter an amount here only for the second quarter Form 941	3c	_____
3d	Qualified health plan expenses allocable to qualified wages paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line 25). Enter an amount here only for the second quarter Form 941	3d	_____
3e	Add lines 3a, 3b, 3c, and 3d	3e	_____
3f	Retention credit. Multiply line 3e by 50% (0.50)	3f	_____
3g	Enter the amount of the employer share of social security tax from Step 1, line 1l	3g	_____
3h	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3h	_____
3i	Subtract line 3h from line 3g	3i	_____
3j	Nonrefundable portion of employee retention credit. Enter the smaller of line 3f or line 3i. Enter this amount on Form 941, Part 1, line 11c	3j	_____
3k	Refundable portion of employee retention credit. Subtract line 3j from line 3f and enter this amount on Form 941, Part 1, line 13d	3k	_____

Caution:
Only complete lines 3c and 3d for your second quarter 2020 Form 941.

941 for 2020: Employer's QUARTERLY Federal Tax Return

Department of the Treasury — Internal Revenue Service

950120

OMB No. 1545-0029

Employer identification number (EIN)		<input type="text"/>							
Name (not your trade name)		<input type="text"/>							
Trade name (if any)		<input type="text"/>							
Address		<input type="text"/>							
Number		Street				Suite or room number			
City		State				ZIP code			
Foreign country name		Foreign province/county				Foreign postal code			

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 for instructions and the latest information.

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	<input type="text"/>
2	Wages, tips, and other compensation	2	<input type="text"/>
3	Federal income tax withheld from wages, tips, and other compensation	3	<input type="text"/>
4	If no wages, tips, and other compensation are subject to social security or Medicare tax	<input type="checkbox"/>	Check and go to line 6.
	Column 1		Column 2
5a	Taxable social security wages	<input type="text"/>	<input type="text"/>
5a (i)	Qualified sick leave wages	<input type="text"/>	<input type="text"/>
5a (ii)	Qualified family leave wages	<input type="text"/>	<input type="text"/>
5b	Taxable social security tips	<input type="text"/>	<input type="text"/>
5c	Taxable Medicare wages & tips	<input type="text"/>	<input type="text"/>
5d	Taxable wages & tips subject to Additional Medicare Tax withholding	<input type="text"/>	<input type="text"/>
5e	Total social security and Medicare taxes. Add Column 2 from lines 5a, 5a(i), 5a(ii), 5b, 5c, and 5d	5e	<input type="text"/>
5f	Section 3121(q) Notice and Demand—Tax due on unreported tips (see instructions)	5f	<input type="text"/>
6	Total taxes before adjustments. Add lines 3, 5e, and 5f	6	<input type="text"/>
7	Current quarter's adjustment for fractions of cents	7	<input type="text"/>
8	Current quarter's adjustment for sick pay	8	<input type="text"/>
9	Current quarter's adjustments for tips and group-term life insurance	9	<input type="text"/>
10	Total taxes after adjustments. Combine lines 6 through 9	10	<input type="text"/>
11a	Qualified small business payroll tax credit for increasing research activities. Attach Form 8974	11a	<input type="text"/>
11b	Nonrefundable portion of credit for qualified sick and family leave wages from Worksheet 1	11b	<input type="text"/>
11c	Nonrefundable portion of employee retention credit from Worksheet 1	11c	<input type="text"/>

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

Next ▶

Name (not your trade name)

Employer identification number (EIN)

Part 1: Answer these questions for this quarter. (continued)

- 11d** Total nonrefundable credits. Add lines 11a, 11b, and 11c **11d**
- 12** Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 **12**
- 13a** Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter **13a**
- 13b** Deferred amount of social security tax **13b**
- 13c** Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 **13c**
- 13d** Refundable portion of employee retention credit from Worksheet 1 **13d**
- 13e** Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d **13e**
- 13f** Total advances received from filing Form(s) 7200 for the quarter **13f**
- 13g** Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e **13g**
- 14** Balance due. If line 12 is more than line 13g, enter the difference and see instructions **14**
- 15** Overpayment. If line 13g is more than line 12, enter the difference Check one: ☐ Apply to next return. ☐ Send a refund.

Part 2: Tell us about your deposit schedule and tax liability for this quarter.

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

- 16** Check one: ☐ Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

- ☐ You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1 Month 2 Month 3 Total liability for quarter

Total must equal line 12.

- ☐ You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

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

Next ▶



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Your Church Can Be Reimbursed for Mandated Sick Leave Pay

Since churches now must provide leave tied to coronavirus, this benefit may prove valuable.

Donn Meindersma and Danny Miller

Last Reviewed: April 1, 2020

Small- and mid-sized employers, including churches, now must provide paid sick and family leave to employees who are unable to work due to certain absences related to the COVID-19 (coronavirus) outbreak. Ordinarily, providing paid leave will not directly increase out-of-pocket payroll costs because paying an employee for time on leave costs no more than paying the employee while he or she is at work.

However, in the aggregate, allowing employees to take paid leave without using their paid time off represents a business cost. When Congress mandated paid leave, it also allowed businesses to recoup that cost.

Any church or religious organization that withholds payroll taxes for employees is eligible to participate. (Church leaders should note the US Department of Labor's Wage and Hour Division has now issued a temporary rule laying out the regulations the Act must follow for the remainder of the year, including the recordkeeping requirements employers must keep.)

How it works

New federal regulatory guidance details how employers can recoup qualifying paid leave expenditures under the newly adopted Emergency Family and Medical Leave Expansion Act (FMLA+) and the Emergency Paid Sick Leave Act (EPSLA). Specifically, the Internal Revenue Service (IRS) and US Department of Labor (DOL) have specified a process "designed to immediately and fully reimburse (employers), dollar-for-dollar, for the cost of providing Coronavirus-related leave to their employees."

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Recoverable costs

The guidance emphasizes that employers have "complete coverage" for paid leave costs. Employers will receive 100-percent reimbursement for mandated paid leave as well as health insurance costs. However, this coverage applies only to paid leave occurring on or after April 1, 2020, and prior to the end of this year.

Process

The guidance is designed to provide nearly immediate reimbursement of paid leave costs by means of a credit on quarterly payroll filings. Specifically:

131 employers file quarterly federal tax returns (Form 941) to report income
 TWEET taxes, social security tax, and Medicare tax withheld from employees'
 paycheck and to remit the employer's portion of Social Security and
 Medicare taxes.

EMAIL employers who pay qualifying sick or childcare leave can withhold from
 PRINT e quarterly payroll tax payment an amount equal to the cost of the
 SAVE paid leave.

- The payroll taxes that employers may retain include withheld federal income taxes, the employee's share of Social Security and Medicare taxes, and the employer's share of Social Security and Medicare taxes.

If the paid leave exceeds what the employer would have submitted to the IRS, the employer may request the difference from the IRS. The IRS indicates that it expects to pay the difference as a refund within two weeks of the request.

Maximums

Paid leave tied to COVID-19 is to be paid at an employee's regular rate of pay or, in some cases, two-thirds of the regular rate of pay. The regular rate of pay is not simply the wage an employee was earning when leave commenced. It is the average rate of pay during the preceding six months. For an employee who has worked less than six months, the rate is the average weekly rate during that time.

Also, Congress placed maximums on paid leave costs, and employers will not be able to obtain paid leave credit beyond those (except as noted in the next section). If an employee is on leave because he or she is unable to work due to a coronavirus quarantine or self-quarantine, or has coronavirus symptoms and is seeking a medical diagnosis, employers need not pay more than a daily maximum paid sick leave of \$511, up to 10 days (or \$5,110).

If an employee is entitled to paid leave because he or she is caring for someone with coronavirus, or is caring for a child because the child's school or childcare facility is closed, or the childcare provider is unavailable due to the coronavirus, the maximum is \$200 per day, or \$2,000 in the aggregate. Finally, if an employee is unable to work to care for a child whose school or childcare facility is closed or whose childcare provider is unavailable due to the coronavirus, employers may receive a childcare leave credit. This credit is equal to two-thirds of the employee's regular pay, capped at \$200 per day, or \$10,000 in the aggregate.

Health care costs credit

An employer may receive a credit above and beyond the just-discussed maximums by adding an amount equal to the cost of maintaining health insurance coverage for the eligible employee during the paid sick leave period. It is not yet clear whether this credit will cover both the employer and employee shares of health insurance coverage.

Application to pastors

The payroll credits for required paid sick and family leave present an interesting wrinkle in terms of how they apply to ministers. All ministers are treated as self-employed individuals" for Social Security and Medicare purposes. idually pay for Social Security and Medicare coverage under the Self-
 131
 TWEET nt Contributions Act, or SECA. The availability of the payroll tax credits d family leave are available only with respect to wages that qualify as
 EMAIL sick leave wages" or "qualified family leave wages," respectively. These
 PRINT defined in the applicable legislative text as wages "as defined in
 SAVE venue Code] section 3121(a)." The wrinkle for ministers emerges
 remuneration paid to a minister is excluded from the term "wages" as defined in section 3121(a) of the Code, and salary paid to a minister thus cannot be "qualified sick leave wages" or "qualified family leave wages."

But all is not lost. A credit is available for qualifying sick and family leave to an "eligible self-employed individual," and a minister does fall within the definition of that term. The available credit is applied against the eligible self-employed individual's income tax.

This appears to produce an interesting situation for ministers who are treated as an employee by their church for federal income tax purposes (that is, as a W-2 employee) but as a statutory SECA tax employee for Social Security and Medicare purposes (and thus an "eligible self-employed individual" for purposes of the credit). The church is paying the minister's salary and, if the minister qualifies for COVID-19 related sick or family leave, some portion of the wages paid to the minister by the church can qualify for the credit. But it is the minister, and not the church, who will get the benefit of the credit. The church and the minister can perhaps work out an arrangement so that the credit used to pay the minister's taxes is in some way paid to the church, but this is a complication not present for other employees (unless they too happen to be treated as "statutory self-employed individuals" under SECA). This is probably an unintended result, but it is one that would appear to require a technical correction to the legislative text in order to change it.

Additional considerations

Two additional issues not explicitly addressed in the guidance merit consideration.

First, paid leave is required only if an employee is unable to work, or telework, due to the situations discussed above. If an employee is teleworking, he or she is not on leave, and the payroll costs associated with that work are *not* recoverable. Accordingly, it is important for employers to track whether teleworking staff are

actually "at work" or "on leave" for a coronavirus-related reason. Only costs associated with paid leave time are creditable.

And second, the regulatory guidance does not discuss whether tax credits are available when employees work partial days. In a household with two wage earners, for example, each might take a half-day off to care for children. If each receives a half-day of paid coronavirus-related leave, each of their employers presumably may take a credit for those half-day paid leave costs.

A caution regarding exempt workers

131 Fair Labor Standards Act, a worker is exempt only if, among other
TWEET or she is paid on a salary basis. Using leave pay to compensate an
employee for a partial day's absence jeopardizes the exempt status.
deductions from pay may be made for sickness-related absences of
re full days without jeopardizing exempt status if the deduction is
EMAIL accordance with a bona fide plan, policy, or practice of providing
PRINT tion for loss of salary occasioned by sickness.

SAVE

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COVID-19-Related Tax Credits: Determining the Amount of Allocable Qualified Health Plan Expenses FAQs

This FAQ is not included in the Internal Revenue Bulletin, and therefore may not be relied upon as legal authority. This means that the information cannot be used to support a legal argument in a court case.

31. Does the amount of qualified health plan expenses include both the portion of the cost paid by the Eligible Employer and the portion of the cost paid by the employee?

The amount of qualified health plan expenses taken into account in determining the credits generally includes both the portion of the cost paid by the Eligible Employer and the portion of the cost paid by the employee with pre-tax salary reduction contributions. However, the qualified health plan expenses should not include amounts that the employee paid for with after-tax contributions.

32. For an Eligible Employer that sponsors more than one plan for its employees (for example, both a group health plan and a health flexible spending arrangement (health FSA)), or more than one plan covering different employees, how are the qualified health plan expenses for each employee determined?

The qualified health plan expenses are determined separately for each plan. Then, for each plan, those expenses are allocated to the employees who participate in that plan. In the case of an employee who participates in more than one plan, the allocated expenses of each plan in which the employee participates are aggregated for that employee.

33. For an Eligible Employer who sponsors a fully-insured group health plan, how are the qualified health plan expenses of that plan allocated to the qualified sick or family leave wages on a pro rata basis?

An Eligible Employer who sponsors a fully-insured group health plan may use any reasonable method to determine and allocate the plan expenses, including (1) the COBRA applicable premium for the employee typically available from the insurer, (2) one average premium rate for all employees, or (3) a substantially similar method that takes into account the average premium rate determined separately for employees with self-only and other than self-only coverage.

If an Eligible Employer chooses to use one average premium rate for all employees, the allocable amount for each day an employee covered by the insured group health plan is entitled to qualified leave wages could be determined using the following steps:

1. The Eligible Employer's overall annual premium for the employees covered by the policy is divided by the number of employees covered by the policy to determine the average annual premium per employee.
2. The average annual premium per employee is divided by the average number of work days during the year by all covered employees (treating days of paid leave as a work day and a work day as including any day on which work is performed) to determine the average daily premium per employee. For example, a full-year employee working five days per week may be treated as working 52 weeks x 5 days or 260 days. Calculations for part-time and seasonal employees who participate in the plan should be adjusted as appropriate. Eligible Employers may use any reasonable method for calculating part-time employee work days.
3. The resulting amount is the amount allocated to each day of qualified sick or family leave wages.

Example: An Eligible Employer sponsors an insured group health plan that covers 400 employees, some with self-only coverage and some with family coverage. Each employee is expected to have 260 work days a year. (Five days a week for 52 weeks.) The employees contribute a portion of their premium by pre-tax salary reduction, with different amounts for self-only and family. The total annual premium for the 400 employees is \$5.2 million. (This includes both the amount paid by the Eligible Employer and the amounts paid by employees through salary reduction.)

For an Eligible Employer using one average premium rate for all employees, the average annual premium rate is \$5.2 million divided by 400, or \$13,000. For each employee expected to have 260 work days a year, this results in a daily average premium rate equal to \$13,000 divided by 260, or \$50. That \$50 is the amount of qualified health expenses allocated to each day of paid sick or family leave per employee.

34. For an Eligible Employer who sponsors a self-insured group health plan, how are the qualified health plan expenses of that plan allocated to the qualified leave wages on a pro rata basis?

An Eligible Employer who sponsors a self-insured group health plan may use any reasonable method to determine and allocate the plan expenses, including (1) the COBRA applicable premium for the employee typically available from the administrator, or (2) any reasonable actuarial method to determine the estimated annual expenses of the plan.

If the Eligible Employer uses a reasonable actuarial method to determine the estimated annual expenses of the plan, then rules similar to the rules for insured plans are used to determine the amount of expenses allocated to an employee. That is, the estimated annual expense is divided by the number of employees covered by the plan, and that amount is divided by the average number of work days during the year by the employees (treating days of paid leave as work days and any day on which an employee performs any work as work days). The resulting amount is the amount allocated to each day of qualified sick or family leave wages.

35. For an Eligible Employer who sponsors a health savings account (HSA), or Archer Medical Saving Account (Archer MSA) and a high deductible health plan (HDHP), are contributions to the HSA or Archer MSA included in the qualified health plan expenses?

The amount of qualified health plan expenses does not include Eligible Employer contributions to HSAs or Archer MSAs. Eligible Employers who sponsor an HDHP should calculate the amount of qualified expenses in the same manner as an insured group health plan, or a self-insured plan, as applicable.

36. For an Eligible Employer who sponsors a health reimbursement arrangement (HRA), a health flexible spending arrangement (health FSA), or a qualified small employer health reimbursement arrangement (QSEHRA), are contributions to the HRA, health FSA, or QSEHRA included in the qualified health plan expenses?

The amount of qualified health plan expenses may include contributions to an HRA (including an individual coverage HRA), or a health FSA, but does not include contributions to a QSEHRA. To allocate contributions to an HRA or a health FSA, Eligible Employers should use the amount of contributions made on behalf of the particular employee.

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Page Last Reviewed or Updated: 28-Apr-2020



How the CARES Act changes deducting charitable contributions

COVID Tax Tip 2020-153, November 12, 2020

Whether taxpayers are supporting natural disaster recovery, COVID-19 pandemic aid or another cause that's personally meaningful to them, their charitable donations may be tax deductible. These deductions basically reduce the amount of their taxable income.

Here's how the CARES Act changes deducting charitable contributions made in 2020:

Previously, charitable contributions could only be deducted if taxpayers itemized their deductions.

- ✕ However, taxpayers who don't itemize deductions may take a charitable deduction of up to \$300 for cash contributions made in 2020 to qualifying organizations. For the purposes of this deduction, qualifying organizations are those that are religious, charitable, educational, scientific or literary in purpose. The law changed in this area due to the Coronavirus Aid, Relief, and Economic Security Act.

The CARES Act also temporarily suspends limits on charitable contributions and temporarily increases limits on contributions of food inventory. More information about these changes is available on [IRS.gov](https://www.irs.gov).

Here are some resources for people making donations:

Tax Exempt Organization Search

Taxpayers must give to qualified organizations to deduct their donations on their tax return. They can use this tool to find out if a specific charity qualifies as a charitable organization for income tax purposes.

Publication 526, Charitable Contributions

This publication explains how taxpayers claim a deduction for charitable contributions. It goes over:

- How much taxpayers can deduct.
- What records they must keep.
- How to report contributions.

Publication 561, Determining the Value of Donated Property

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Journal of Accountancy

The new charitable deduction for nonitemizers

By John McKinley, CPA, CGMA, J.D., LL.M.; Luke Richardson, CPA; and Jonas Lee
September 1, 2020



Image by BigJoker/iStock

Residents of the United States are frequently ranked as among the most generous in the world (*Charities Aid Foundation World Giving Index* (https://www.cafonline.org/docs/default-source/about-us-publications/caf_wgi_10th_edition_report_2712a_web_101019.pdf), October 2019). Charitable contributions flowing from these taxpayers enable many churches, youth sports charities, and other not-for-profits to fulfill their charitable missions. However, many of these organizations are now experiencing a decline in giving as the United States finds itself grappling with a public health crisis.

In response, Congress included a provision in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136, intended to provide some relief for charitable organizations. Section 2104 of the CARES Act permits eligible individuals who do not itemize deductions to deduct \$300 of qualified charitable contributions as an

"above-the-line" deduction, i.e., as an adjustment in determining adjusted gross income (AGI), for tax years beginning in 2020.

Allowing nonitemizers to deduct charitable contributions is not a new concept. The Economic Recovery Tax Act of 1981, P.L. 97-34, allowed a charitable contribution deduction from AGI for nonitemizing taxpayers (Sec. 170(i), before deletion by the Omnibus Budget Reconciliation Act of 1990, P.L. 101-508). Although the amount of the deduction was generally limited to 25% of up to \$100 in contributions (i.e., \$25) for tax years 1982 and 1983, it climbed to 100% of up to \$300 for 1986, after which it sunset.

Since then, Congress has introduced bills on multiple occasions to reestablish a charitable contribution deduction for nonitemizers or provide a larger one than the CARES Act's. These include the currently pending Universal Giving Pandemic Response Act, S. 4032, and a companion bill, the Universal Charitable Giving Act of 2019, H.R. 5293, both of which would provide a deduction of up to one-third the amount of the taxpayer's standard deduction (i.e., for tax year 2020, \$4,133 for single individuals and \$8,267 for married individuals filing jointly). S. 4032 would also allow contributions made under this provision after Dec. 31, 2019, and before July 15, 2020, to be treated as made in calendar year 2019.

QUALIFYING FOR THE DEDUCTION

Under new Sec. 62(a)(22), for tax years beginning in 2020, eligible individuals may deduct up to \$300 in qualified charitable contributions made to qualified charitable organizations. Any amount that exceeds the \$300 limit may not be carried forward to future tax years or claimed as an itemized deduction (Sec. 62(f)(2)(C)). Moreover, charitable contribution itemized deduction carryforwards arising in tax years beginning before 2020 may not be claimed as an above-the-line deduction.

The Joint Committee on Taxation (JCT) estimates the government's revenue loss for the new deduction at \$310 million and \$1.241 billion in fiscal years 2020 and 2021, respectively (*Description of the Tax Provisions of Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act* (JCX-12R-20) (April 23, 2020), p. 107). This projected revenue effect is considerably lower than the estimated \$96.75 billion revenue reduction from itemized charitable contribution deductions in fiscal years 2020—2021 (*Tax Expenditures*, U.S. Department of the Treasury, Office of Tax Analysts, Feb. 26, 2020) or the \$180.5 billion in cash charitable contribution deductions by individuals for tax year 2017 (IRS Tax Statistics, Individual Income Tax Returns, Table 2.1).

ELIGIBLE INDIVIDUAL

An individual eligible to claim the deduction is any individual who does not elect to itemize deductions for 2020 (Sec. 62(f)(1)). The \$300 limit per filing unit applies regardless of filing status.

QUALIFIED CHARITABLE CONTRIBUTION

A qualified charitable contribution for purposes of Sec. 62(a)(22) is a charitable contribution as defined in Sec. 170(c) (Sec. 62(f)(2)). Such contributions must be made in cash, not taking into account the revised percentage limitations of Sec. 170(b). (The CARES Act also effectively suspended the ceiling for qualified charitable contributions made in 2020 by limiting the deduction to 100% of the taxpayer's contribution base (CARES Act §2205).) Therefore, contributions of noncash property are not allowed as an above-the-line deduction. However, these contributions are still available for individuals who itemize their deductions.

Cash contributions are any contributions paid with "cash, check, electronic fund transfer, payroll deduction, etc." (IRS Publication 526, *Charitable Contributions*). No part of a gift that a donor makes in consideration for goods or services received is a contribution for this purpose (Regs. Sec. 1.170A-1(h)). Sec. 170(f)(8) requires that for any

cash contribution over \$250 the taxpayer must keep a "contemporaneous written acknowledgment" of the donation. The substantiation requirement applies on a gift-by-gift basis (IRS Publication 526). Because the \$300 charitable contribution deduction qualifies as a deduction under Sec. 170(c), one can reasonably infer that the substantiation requirement applies to it in the same way as to an itemized charitable contribution deduction.

QUALIFIED CHARITABLE ORGANIZATION

A qualified charitable organization is any organization that qualifies as a public charity under Sec. 170(b)(1)(A) (Sec. 62(f)(2)(C)(i)). The contribution cannot be made to a supporting organization described in Sec. 509(a)(3) or to a donor-advised fund.

In general, a contribution to a charitable remainder trust does not qualify as a charitable contribution. But if the charitable remainder interest is paid in cash to a qualified charity during the applicable time period, then the amount may still qualify as a contribution under Sec. 62(f)(2) (JCT, *Description of the Tax Provisions of Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act* (JCX-12R-20) (April 23, 2020), pp. 22—23, 26).

OTHER CONSIDERATIONS

However, a couple of issues might arise for taxpayers claiming the \$300 above-the-line deduction. First, low-income taxpayers whose AGI does not exceed the standard deduction will largely fail to realize the deduction's intended benefit. Even if these individuals do have any taxable income before credits, nonrefundable credits (e.g., the child tax credit, child and dependent care credit, etc.) may reduce their taxable income — and, in turn, their tax liability — to zero.

✱ The second issue might arise when a married individual filing a separate return whose spouse itemizes deductions is not eligible for the standard deduction (or has a zero standard deduction), raising the question of whether such an individual may claim the above-the-line charitable deduction (Sec. 63(c)(6)(A)). Assuming such an individual does not also itemize deductions, an above-the-line charitable deduction would seem to be available, since ineligibility for a full standard deduction is not, *per se*, an election to itemize (Sec. 63(e)(1)). But some IRS guidance on this point would be welcome.

Practitioners with clients who do not regularly itemize post-TCJA should consider alerting these taxpayers to the above-the-line charitable contribution deduction. The amount may be relatively small, but in the throes of a health care crisis, every bit can make a difference — in this case, for both the donor *and* the donee.

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Topic

Charitable Contribution Deduction for Individuals

Curated by

Peter Melcher, J.D., LL.M., Partner, Keebler & Associates, LLP

An individual may claim an itemized deduction for contributions to a qualified charitable organization on Schedule A (Form 1040) (see Itemized Deductions). The charitable deduction for any tax year is limited to a percentage of the taxpayer's contribution base determined by the type of organization receiving the donation and the type of property donated. Any amount in excess of the percentage limitation for the tax year may be carried forward for five years. For tax years beginning in 2020 only, an eligible individual may claim an above-the-line deduction in computing adjusted gross income (AGI) of up to \$300 in cash contributions.

A charitable contribution must meet the following requirements to be deductible for income tax purposes:

- there is a voluntary transfer of property by the donor and delivery to the donee so that dominion and control of the property passes from the donor to the donee;
- the transfer is to a qualifying organization or entity including governmental entities, domestic charitable organizations, domestic fraternal organizations, veterans' organizations, certain cemetery companies;
- the transfer is made with donative intent and without adequate consideration but a partial charitable deduction may be allowed if the value of the benefits the donor receives is less than the value of property;
- there is a transfer of the donor's entire interest in the property but exceptions are permitted for partial interests that are remainder interests in trusts, lead interests in trusts, charitable gift annuities, and qualified conservation contributions;
- the transfer is a transfer of money or property rather than of time or services; and
- the transfer is properly substantiated.

Charitable Deductions Generally

A charitable contribution^[1] is a voluntary contribution or gift of cash or property to a qualified charitable organization. A charitable contribution must be given without present or future expectation of any monetary or economic benefit to be derived from the contribution. Qualified charitable organizations are certain domestic charitable organizations (e.g., corporations, trusts, foundations), domestic fraternal societies, domestic war veterans' organizations, cemetery companies, or federal or state government in the United States. A charitable contribution deduction is not allowed for a contribution of an interest in property that consists of less than the taxpayer's entire interest in the property, subject to certain exceptions (see Requirements for Charitable Contribution Deduction).

The charitable contribution deduction for an individual taxpayer who itemizes is generally limited to a percentage^[2] of the individual's contribution base determined by the type of organization receiving the donation and the type of property donated. The deduction limit also depends on whether the donation of property is made to the charitable organization or for its use. An individual's contribution base^[3] is the taxpayer's adjusted gross income (AGI), computed without regard to the charitable deduction and any net operating loss carrybacks.

Contributions of cash and ordinary income property^[4] to tax-exempt organizations (public charities) are generally limited to a maximum deduction of 50 percent of a taxpayer's contribution base for the tax year. The percentage limit is increased to 60 percent of an individual's contribution base for cash contributions^[5] made to public charities in 2018 through 2025. In response to the COVID-19 (coronavirus) crisis^[6], the percentage limitation on cash contributions are temporarily suspended for qualified charitable contributions made after December 31, 2019, and before January 1, 2021. The percentage limits are also temporarily waived for cash

COVID-19 pandemic, a taxpayer who chooses to not itemize deductions can claim a charitable deduction of up to \$300 for monetary donations made in 2020. Normally, charitable deductions are only available to itemizers.

The \$300 deduction, which is sometimes referred to as the “universal deduction,” is claimed above the line, so it reduces adjusted gross income (AGI) for other purposes. Donors must meet the usual substantiation requirements.

This includes monetary donations paid with cash, check, credit card, electronic fund transfer, payroll deduction, etc. But you can’t count contributions of property or those made in exchange for goods or services. In addition, the deduction can’t be claimed for contributions made to non-operating private foundations, support organizations or donor advised funds.

* Sticking point: The \$300 maximum applies to each filing unit. For example, if a married couple files a joint tax return without itemizing and each spouse contributes \$300 in cash to charity in 2020, their deduction is limited to \$300. It’s yet another example of the “marriage penalty” for joint filers. However, when a couple is married and filing separately, each one can deduct up to \$300 for a total of \$600 if they take the standard deduction.

Finally, be aware that the deduction can’t be claimed for amounts carried over from prior years. So, if a single filer will be carrying over \$100 for a 2019 return where he or she itemized, the excess can’t be allocated to the 2020 universal deduction. In the same vein, you can’t carry over any excess above the \$300 maximum for 2020 to 2021.

Of course, a new Congress could extend the universal deduction, but there are no guarantees. Encourage clients who don’t expect to itemize in 2020 to seize this tax-saving opportunity within the limits described above.

2020 Form 1099 Changes: Are You Ready? Start Planning Now!

Feb 14, 2020

Now that the majority of the 2019 Form 1099 filing season is behind many of us, Withum would like to highlight the many changes to the new 2020 Forms 1099 that are likely applicable to your organization.

While the general rules surrounding the types of income to be reported have remained the same, the Internal Revenue Service ("IRS") has split the original Form 1099 used to report nonemployee compensation ("NEC") from other miscellaneous income types beginning in 2020.

Changes to Forms 1099

- * The most significant change to the Form 1099 in 2020 is the breakout of NEC from Box 7 of Form 1099-MISC to its own Form 1099-NEC. NEC still includes payments of \$600 or more for services of nonemployees and attorneys, but these types of payments will now be reported in Box 1 of the new 2020 Form 1099-NEC. As such, starting with the 2020 forms, an organization should not report NEC on Form 1099-MISC. Payments of \$600 or more for rent, prizes and awards, gross proceeds to attorneys, certain medical and health care payments and royalties over \$10 should still be reported on Form 1099-MISC. Please note that the 2020 Form 1099-MISC has been modified accordingly to eliminate the input of a dollar amount into Box 7. In addition, please note that many of the other Form 1099 MISC Box numbers have been rearranged.

These changes to the Forms 1099 have corresponding filing deadlines. The 2020 Form 1099-NEC is due to both recipients and the IRS by February 1, 2021, regardless of whether filing electronically or by paper. The 2020 Form 1099-MISC is also due to recipients by February 1, 2021; however, these Forms are due to the IRS by March 1, 2021 for paper filing or by March 31, 2021 for electronic filing.

The IRS also modified the threshold for the required electronic filing of most information returns, such as Forms W-2 and 1099. The threshold remains at 250 or more forms filed for the tax year 2020, but drops to 100 forms in tax year 2021, and 10 forms in tax year 2022.

Regulatory Trends

Due to increased awareness from current cases regarding employment misclassification, Form 1099 audits are becoming more common. This is especially true in the healthcare industry where the IRS routinely audits organizations for employment tax issues, including Forms W-9 and 1099 compliance. In addition, various states, such as California, New York, and New Jersey are becoming much more aggressive in targeting those who misclassify workers as independent contractors rather than

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.				1 Rents		OMB No. 1545-0115		Miscellaneous Income 2019 Form 1099-MISC	
				\$					
				2 Royalties					
				\$		4 Federal income tax withheld		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.	
				3 Other income		\$			
				5 Fishing boat proceeds		6 Medical and health care payments			
PAYER'S TIN		RECIPIENT'S TIN		\$		\$		For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.	
RECIPIENT'S name *				7 Nonemployee compensation		8 Substitute payments in lieu of dividends or interest			
Street address (including apt. no.)				\$		\$			
City or town, state or province, country, and ZIP or foreign postal code				9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds			
Account number (see instructions)		FATCA filing requirement <input type="checkbox"/>		2nd TIN not <input type="checkbox"/>		11		12	
				13 Excess golden parachute payments		14 Gross proceeds paid to an attorney			
				\$		\$			
15a Section 409A deferrals		15b Section 409A income		16 State tax withheld		17 State/Payer's state no.		18 State income	
\$		\$		\$				\$	
				\$				\$	

Form **1099-MISC**

Cat. No. 14425J

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		2020 Form 1099-NEC		Nonemployee Compensation	
PAYER'S TIN		RECIPIENT'S TIN		1 Nonemployee compensation		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.	
				2			
RECIPIENT'S name				3			
Street address (including apt. no.)				4 Federal income tax withheld			
City or town, state or province, country, and ZIP or foreign postal code				\$			
		FATCA filing requirement					
Account number (see instructions)		2nd TIN not.		5 State tax withheld		6 State/Payer's state no.	
		<input type="checkbox"/>		\$		\$	
				\$		\$	
						7 State income	
						\$	

Form 1099-NEC

Cat. No. 72590N

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

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Diocese of Green Bay

Training Sessions

December 2020

<u>Date</u>	<u>Topic</u>
Available	Gabriel- EFT offertory entry into the Gabriel System. <ul style="list-style-type: none">- Introduction by Fr. Dan Felton. Dean Gerondale demonstrates how to load electronic offertory information into the Gabriel System. https://vimeo.com/showcase/gabrieltraining
December 9, 2020- 9 AM	Update and Feedback on the following topics: <ul style="list-style-type: none">- AFI feedback- Survey Gizmo- Paycheck Protection Program (PPP)- Families First Coronavirus Response Act (FFCRA)- Conversion from Great Plains to QuickBooks- 1099 – NEC (Nonemployee Compensation –was Box 7 on 2019-MISC) https://zoom.us/j/99529857684?pwd=dU5tZFhVQm9oZWtYWnBZQTlIWkZ2Zz09 Meeting ID: 995 2985 7684 Passcode: 615750 Dial by your location +1 312 626 6799 US (Chicago) Meeting ID: 995 2985 7684 Passcode: 615750
December 16, 2020 – 9 AM	QuickBooks year-end planning for QuickBooks On-line: <ul style="list-style-type: none">- 1099's- W-2's- Tips and Tricks for reports and settings https://zoom.us/j/98672381140?pwd=b2dtdW93VFhWW1KOUeWYkxiVFNqZz09 Meeting ID: 986 7238 1140 Passcode: 739584 Dial by your location +1 312 626 6799 US (Chicago) Meeting ID: 986 7238 1140 Passcode: 739584
December 17, 2020 – 9 AM	QuickBooks year-end planning for QuickBooks Desktop: <ul style="list-style-type: none">- 1099's- W-2's- Tips and Tricks for reports and settings https://zoom.us/j/99030467583?pwd=U1hWVXpILOnZY3doU3htK0g4M3F5dz09 Meeting ID: 990 3046 7583 Passcode: 291291 Dial by your location +1 312 626 6799 US (Chicago) Meeting ID: 990 3046 7583 Passcode: 291291
December 17, 2020 - 1 PM	Gabriel webinar to show how to distribute year-end tax statements. <p>Sign up: Gabriel Annual Statement Training 2020 (office.com)</p>

Diocese of Green Bay

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