

How Churches Benefit from CARES Act Tax Provisions

Church Extension Plan

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While many organizations are seeking small business loans through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, this stimulus package has also modified certain tax policies affecting small businesses, to assist them in this season of financial stress. These provisions include an employee retention tax credit and deferred payment of employer payroll taxes, which are available to support employers that continue to pay staff wages through the COVID-19 pandemic.

Please note that ministries obtaining funds through the Paycheck Protection Program are ineligible to receive the employee retention tax credit or defer payment of employer payroll taxes.

Employee Retention Tax Credit

To help churches and nonprofits continue to pay their employees through 2020, the stimulus package provides a fully refundable payroll tax credit for 50% of qualified wages paid to employees per quarter during the COVID-19 crisis (specifically for wages paid or incurred from March 13, 2020, through December 31, 2020). The credit is available for the first \$10,000 of compensation (including some health insurance costs) paid to an eligible employee. Consequently, employers can receive a payroll tax credit up to \$5,000 per employee.

According to the IRS, a qualifying employer “fully or partially suspends operation during any calendar quarter in 2020 due to orders from an appropriate governmental authority limiting commerce, travel, or group meetings (for commercial, social, religious, or other purposes) due to COVID-19” or “experiences a significant decline in gross receipts during the calendar quarter.”

Among other factors, qualified wages will also depend on your total number of employees. For employers with 100 or fewer full-time employees, all wages qualify for the credit. For employers with more than 100 full-time employees, qualified wages are limited to those paid while the employees are not providing services, due to one or both of the employer qualifications mentioned above.

For additional information, please refer to the following link: [**IRS Info on Employee Retention Credit**](#)

Deferred Payment of Employer Payroll Taxes

The CARES Act also provides employers and self-employed individuals with the option of delaying payment of payroll taxes on wages paid before December 31, 2020. This applies to the employer share of the Social Security tax. Unlike the employee retention tax credit, this deferral option is available to all employers, regardless of the impact COVID-19 has had on their business. Those who pursue this opportunity will need to repay the tax payments over the course of the following two years (half by December 31, 2021; the remainder by December 31, 2022).

For additional information, please refer to the following link:

[**IRS Info on Deferral of Tax Deposits and Payments**](#) ■

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