



Evangelical Lutheran Church in America
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Update and Resources on COVID-19-related Benefits for ELCA Congregations, Synods, Other Ministries and their Employees

Updated as of March 30, 2020

Congress has passed three acts recently in response to the COVID-19 pandemic. The latter two, the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provide significant assistance that is available to churches, religious organizations and their employees.

This summary focuses on the provisions of these acts that most directly affect churches and their employees and provides relevant resources; it does not attempt to describe all aspects of these acts, or to go into the technical details of these acts.

(This summary is not legal or tax advice. Organizations and employees seeking such advice should consult with a legal, tax or accounting professional.)

I. Families First Coronavirus Response Act (FFCRA)

A. Payroll Tax Credits for Paid Sick Leave and FMLA Leave

The FFCRA requires employers to provide paid sick leave for employees and provides payroll tax credits to employers (including churches) to pay for the sick leave and for family and medical leave resulting from COVID-19.

We have posted a detailed resource on the FFCRA that was prepared by our full communion partner, the United Church of Christ (UCC):

https://download.elca.org/ELCA%20Resource%20Repository/Families_First_Coronavirus_Response_Act-UCC_Update.pdf

The U.S. Department of Labor has posted a helpful FAQ regarding FFCRA:

dol.gov/agencies/whd/pandemic/ffcra-questions

In addition, the UCC is hosting a free webinar on the FFCRA on Tuesday, March 31, at 2 p.m. Eastern time, that can be accessed here: insuranceboard.org/covid-19-webcast/.

II. Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

The CARES Act provides a multitude of assistance to churches and their employees, including:

- Payroll Tax Relief.
- Pandemic Unemployment Assistance Program.
- Paycheck Protection Program.
- Charitable Contribution Incentives.

These programs are briefly summarized below. In addition, a number of resources are available on these and other topics related to the CARES Act:

- Memorandum from the Church Alliance (which contains much more detail than this summary):
https://download.elca.org/ELCA%20Resource%20Repository/CARES_Act_summary_033020v2.pdf
- Q&A from Southern Baptists regarding available benefits: bpnews.net/54550/qa-how-churches-pastors-are-eligible-for-relief-in-stimulus-package.
- Free webinar on CARES Act on Tuesday, March 31, at 1 p.m. Eastern time: ecfa.org/Events.aspx?EventID=295.
- Vanderbloemen webinar on the CARES Act: facebook.com/vanderbloemen/videos/204831917618916/.
- ELCA Advocacy Summary: <https://blogs.elca.org/advocacy/cares-act-inclusions-and-next-steps/>

A. Payroll Tax Relief

The CARES Act provides two types of payroll tax relief: (1) deferral and (2) credits:

1. Payroll Tax Deferral

The CARES Act allows employers to defer payroll taxes from 2020 and pay them over two years, with half due in 2021 and half due in 2022. Note that this does not allow churches or other employers to avoid paying payroll taxes; it just allows for the payment to be deferred.

The deferral is NOT available to anyone who had a Payroll Protection loan (see below) forgiven.

2. Employee Retention Credit

The CARES Act allows for a refundable payroll tax credit for retaining employees during the crisis.

Employers are eligible for the credit if: (1) operations were fully or partially suspended due to a COVID-19-related government order; or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year.

The credit is equal to 50% of qualified wages paid to an employee on or after March 13, 2020 (and before Jan. 1, 2021) in each calendar quarter, up to a total of \$10,000 per employee for all quarters (50% of \$10,000 = maximum credit of \$5,000/employee for the year). The credit is against an employer's applicable employment taxes for each calendar quarter, with any excess refunded to the employer.

Again, employers receiving a Payroll Protection loan (see below) are not eligible for this credit.

B. Unemployment Compensation for Church Employees

In most states, churches do not participate in the unemployment insurance program and church employees are not eligible for unemployment benefits. Under the CARES Act, however, church employees who are out of work due to COVID-19 may collect unemployment benefits.

In addition, the CARES Act extends the duration of benefits from 26 to 39 weeks and provides for an additional \$600 weekly payment available for up to four months.

Benefits are also available for those who have had their hours reduced.

To apply for unemployment benefits, laid off or reduced time workers should contact their state unemployment office.

C. Paycheck Protection Program Loans

The Paycheck Protection Program provides loans to small businesses, including qualifying nonprofit organizations, going through COVID-19 related closures. These loans are capped at 2.5 times the organization's monthly payroll.

Loan proceeds can be used for:

- Payroll costs, excluding the prorated portion of any compensation above \$100,000 per year for any person.
- Mortgage interest and rent payments.
- Utilities.
- Interest on debt that existed as of Feb. 15, 2020.

The loan can be forgiven in whole or in part to the extent that the loan proceeds have been used for the following costs incurred and payments made during the eight-week period after the loan is made:

- Payroll costs, excluding the prorated portion of any compensation above \$100,000 per year for any person.
- Mortgage interest (but not prepayments or principal payments) and rent payments on mortgages and leases in existence before Feb. 15, 2020.
- Certain utilities, including electricity, gas, water, transportation, and phone and internet access for service that began before Feb. 15, 2020.

However, the amount forgiven may be reduced if the employer reduces staff.

Note that participating in this program will prevent the organization from taking part in all or part of the payroll tax relief described above.

To apply for such a loan, you should contact an approved Small Business Administration lender, which includes most local financial institutions.

D. Charitable Contribution Incentives

The CARES Act encourages individuals to contribute to religious and other charitable organizations by creating a new "above the line" deduction (i.e. for taxpayers who take the standard deduction). This deduction will permit them to deduct up to \$300 of annual monetary contributions.

The CARES Act also increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50% of adjusted gross income limitation is suspended for cash contributions made in 2020.