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Nonprofit Relief: Opportunities in the American Rescue Plan

Featuring Chitra Aiyar

Wednesday, June 30, 2021
12:00-1:30pm

Co-Sponsored by
TSNE MissionWorks



A Session with Chitra Aiyar



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Three values that inform my approach to this work:

- 1. Integrity**
- 2. Ease**
- 3. Community**

What will we cover today?

1. Shared Work

2. Tax Credits overview

- a. Nonprofits pay taxes
- b. Why now?

3. Employee Retention Tax Credits

4. Paid Leave Tax Credits

5. Next Steps

1.

Shared Work

**aka workshare,
short-time compensation,
kuzarbeit**

What is shared work?

Rather than **layoff employees** to save on payroll costs, an employer **reduces their hours**. Employees become eligible to receive **state unemployment benefits** to **supplement their reduced income**.

Example: If an employer **reduces employee hours by 20%**, employees receive 80% of their former salary, **supplemented by 20% of a weekly unemployment benefit**.

How Much Can You Save?

Annualized Salary (26 pay periods)	Estimated UI Benefit	Standard Weekly Pay	80% Weekly Salary	20% UI Benefit	Additional American Rescue Plan Supplement	Total Weekly: Partial Salary + Partial Benefit	Differential
40,000	\$384	769	615	77	300	992	223
42,000	403	808	646	81	300	1,027	219
43,000	413	827	662	83	300	1,044	217
44,000	423	846	677	85	300	1,062	215
45,000	432	865	692	86	300	1,079	213
48,000	461	923	738	92	300	1,131	208
50,000	480	962	769	96	300	1,165	204
52,000	500	1,000	800	100	300	1,200	200
55,000	504	1,058	846	101	300	1,247	189
60,000	504	1,154	923	101	300	1,324	170
65,000	504	1,250	1,000	101	300	1,401	151
70,000	504	1,346	1,077	101	300	1,478	132
75,000	504	1,442	1,154	101	300	1,555	112
80,000	504	1,538	1,231	101	300	1,632	93
85,000	504	1,635	1,308	101	300	1,708	74
90,000	504	1,731	1,385	101	300	1,785	55
100,000	504	1,923	1,538	101	300	1,939	16
125,000	504	2,404	1,923	101	300	2,324	(80)

Original Weekly Payroll: 22,481

Weekly Payroll with Workshare: \$17,985

Weekly Savings: \$4,496

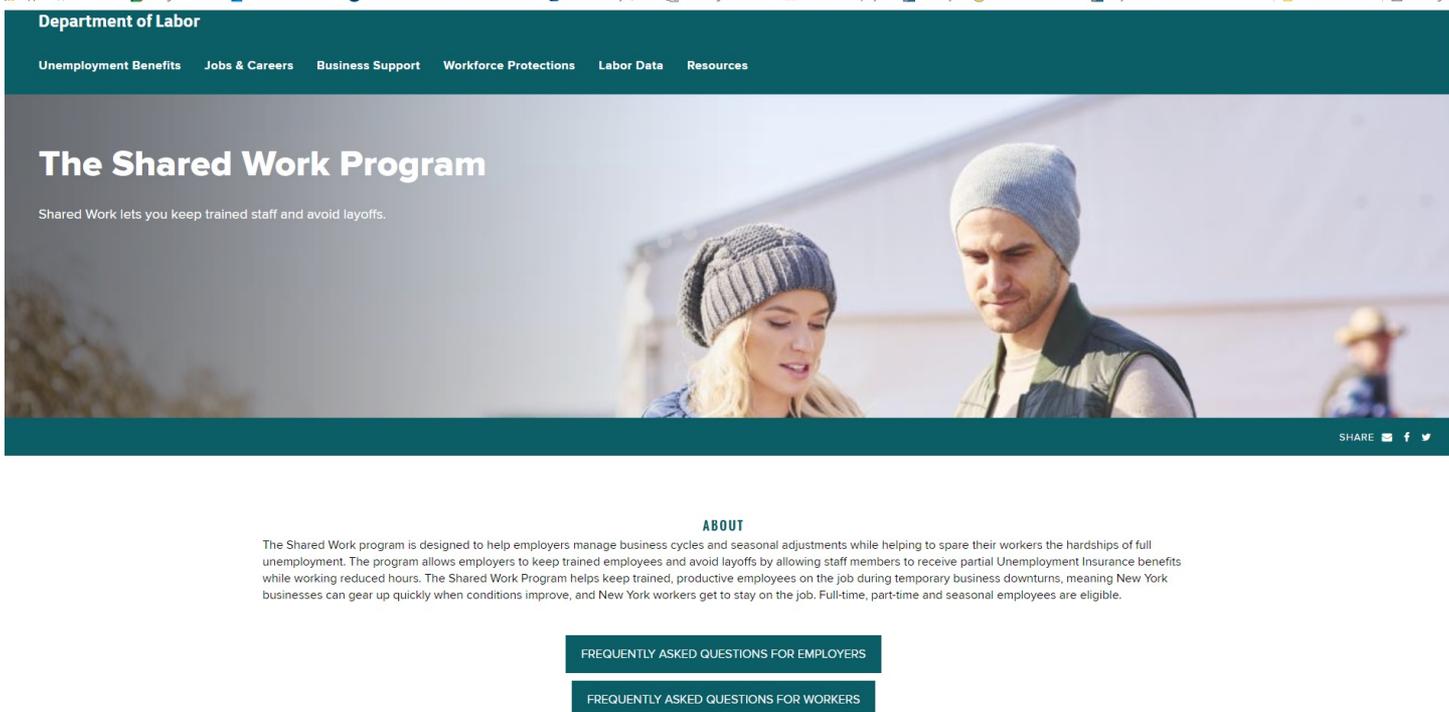
*through September 6, 2021

**\$300 – New York specific
Need to check your state

Next Step - DOL in different states

Contact your State Department of Labor ([resource list here](#))

For New York, contact the Shared Work Program at the New York Department of Labor: <https://dol.ny.gov/shared-work-program-0>



The screenshot shows the top portion of a website page. At the top, there is a dark teal header with the text "Department of Labor" on the left and a navigation menu with the following items: "Unemployment Benefits", "Jobs & Careers", "Business Support", "Workforce Protections", "Labor Data", and "Resources". Below the header is a large banner image featuring a woman and a man in winter clothing (knit hats and jackets) looking at something together. The text "The Shared Work Program" is overlaid on the left side of the banner, with the subtext "Shared Work lets you keep trained staff and avoid layoffs." below it. In the bottom right corner of the banner, there is a "SHARE" button and icons for social media. Below the banner, the word "ABOUT" is centered in a small, bold font. Underneath "ABOUT" is a paragraph of text: "The Shared Work program is designed to help employers manage business cycles and seasonal adjustments while helping to spare their workers the hardships of full unemployment. The program allows employers to keep trained employees and avoid layoffs by allowing staff members to receive partial Unemployment Insurance benefits while working reduced hours. The Shared Work Program helps keep trained, productive employees on the job during temporary business downturns, meaning New York businesses can gear up quickly when conditions improve, and New York workers get to stay on the job. Full-time, part-time and seasonal employees are eligible." At the bottom of the page, there are two dark teal buttons with white text: "FREQUENTLY ASKED QUESTIONS FOR EMPLOYERS" and "FREQUENTLY ASKED QUESTIONS FOR WORKERS".

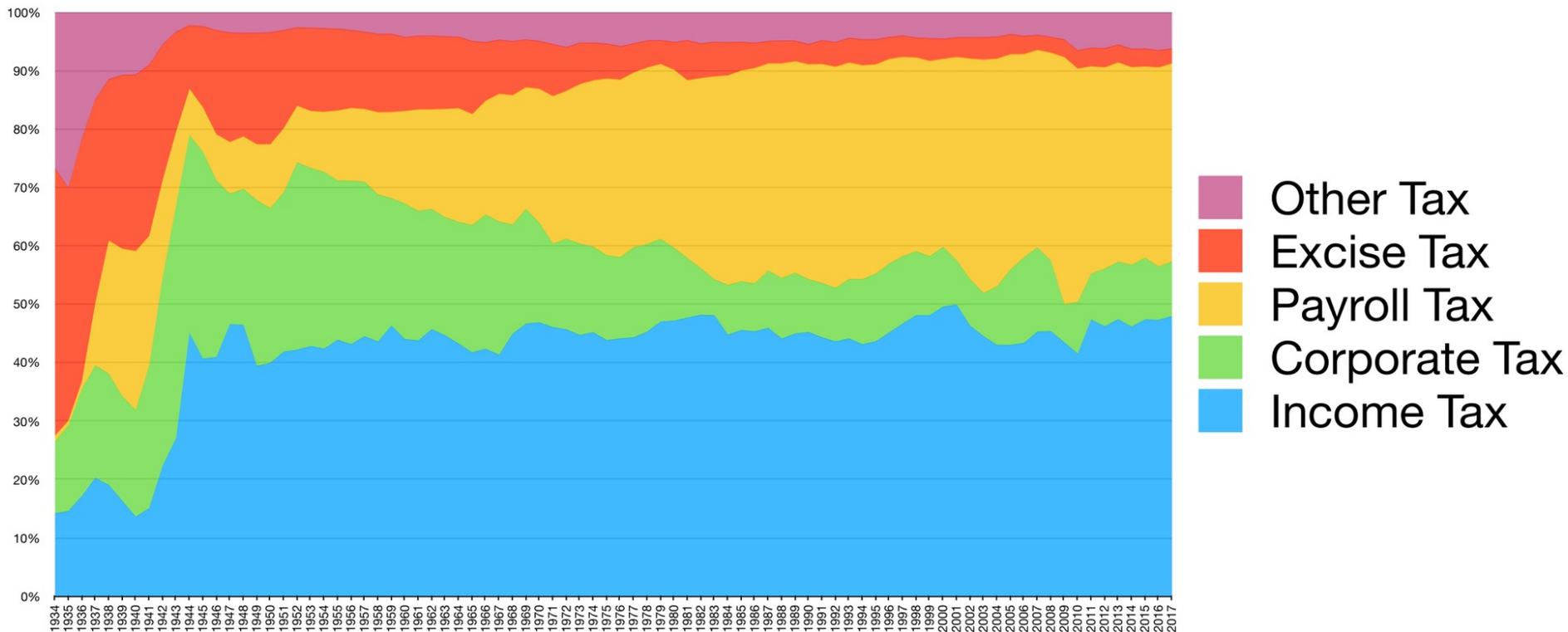
Questions?

2.

Tax Credit Overview

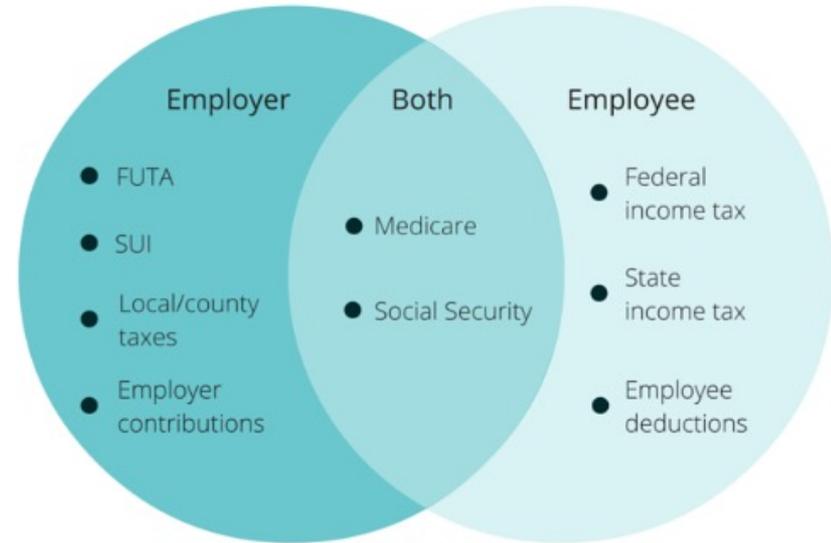
Background: Do Nonprofits Pay Taxes?

Federal Revenue % by Tax



Background: What are Payroll Taxes?

Pay Period: 01/01/2020 - 01/31/2020					
1 GROSS PAY	CURRENT	YTD	TAXES 2	CURRENT	YTD
Salary	=====	=====	Federal Income Tax	=====	=====
Overtime Pay	=====	=====	State Income Tax	=====	=====
			Social Security	=====	=====
			Medicare	=====	=====
OTHER PAY	CURRENT	YTD	DEDUCTIONS	CURRENT	YTD
=====	=====	=====	3 401k	=====	=====
			Child Care	=====	=====
BENEFITS	CURRENT	YTD	SUMMARY	CURRENT	YTD
Sick	=====	=====	Total Pay	=====	=====
Vacation	=====	=====	Taxes	=====	=====
			Deductions	=====	=====
4 NET PAY					



What Are FICA Taxes?

Total FICA tax is 7.65% that is applied to the employee's gross pay.

	EMPLOYER PAYS	EMPLOYEE PAYS
SOCIAL SECURITY	6.2%	6.2%
MEDICARE	1.45%	1.45%

The 6.2% and 1.45% values for both employer and employee are circled in red. A calculator in the background shows '7.6' on its display.

Payroll Taxes in Motion

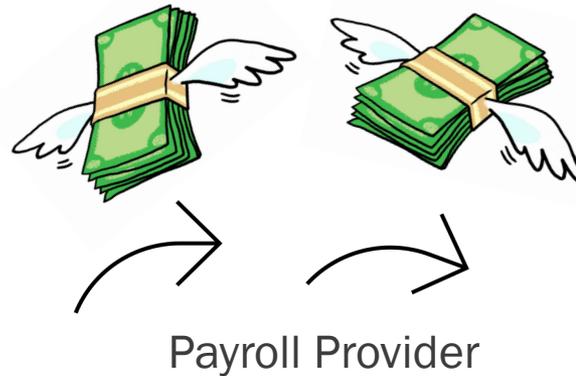
Payroll providers and PEOs make **regular deposits to the US Treasury** of the funds withheld from an employee's paycheck as well as the employer's FICA contributions using the [Electronic Federal Tax Payments System \(EFTPS\)](#)*



*The IRS encourages employers to check that their payroll provider is making payments - [more here](#)



Employer's Bank



US Treasury

ERTC is a refundable payroll tax credit

Example 1: Your payroll tax liability for the quarter is **\$20,000** and you are eligible for **\$15,000** in payroll tax credits:

Over the quarter, your payroll provider **deposits \$20,000** in employer-paid FICA (Social Security and Medicare) in the US Treasury. The **\$15,000 credit** reduces your overall payroll tax liability for the quarter to **\$5,000**.

What happens now?

You can **file for \$15,000** in tax credits and **increase your net income** by \$15,000

- Receive \$15,000 as a cash refund (increase in income)
- Have \$15,000 credited towards payroll taxes in an upcoming quarter (reduction in expenses)

Example 2: Your payroll tax liability for the quarter is **\$15,000** and you are eligible for **\$20,000** in payroll tax credits:

Over the quarter, your payroll provider **deposits \$15,000** in employer-paid FICA (Social Security and Medicare) in the US Treasury. The **\$20,000 credit** reduces your overall payroll tax liability for the quarter to **-\$5,000**.

What happens now?

You can **file for \$20,000** in tax credits and **increase your net income** by \$20,000

- Receive \$20,000 as a cash refund (increase in income)
- Have \$20,000 credited towards payroll taxes in an upcoming quarter (reduction in expenses)

Qualified Wages & Double Dipping

Payroll taxes are the **currency** - they are not the expenses being reimbursed

The specific expense that is being reimbursed through a payroll tax credit is an employee's **qualified wages** - their **salary** plus **allocable health care costs**.*

[*Read more - IRS FAQs on allocable health care costs](#)

To avoid double dipping, you can only claim tax credits (reimbursement of salary and health care expenses) for **salary and health care expenses that have not been reimbursed by other funding sources, including PPP.**

Timeline - ERTC Legislation

1

March 2020
CARES Act

Introduces both the Paycheck Protection Program and the Employee Retention Tax Credit as incentives for employers to maintain their workforce. Organizations can **receive either** PPP or ERTC, **not both**.

2

Dec 28, 2020
Economic Aid Act

Reverses the restriction on receiving both PPP and ERTC. Organizations who received PPP are **now retroactively eligible for ERTC**. The credits are extended through **June 30, 2021**.
Announces Second Draw PPP Loan.

3

March 2021
American Rescue Plan

Extends ERTC through **December 31, 2021**.

Questions?

3.

**Paid Leave Tax
Credits**

What is an eligible reason?

An employee is unable to work or telework because:

1. they are under a Federal, State, or local quarantine or isolation order related to COVID-19;
2. they have been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. they are experiencing **symptoms of COVID-19** and **seeking a medical diagnosis**;
4. they are **getting vaccinated or recovering from a vaccine** (2021 only, after March 31st)
5. they are **caring for an individual** who is subject to any of the conditions in Reasons #1-#4
6. they are **caring for their 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;

Amount of Paid Sick Leave

All employees are entitled to an additional 2 weeks (up to 80 hours)* of leave for any of the 6 reasons.**

Time	Amount of leave
April 1 st 2020 - March 31 st 2021	2 weeks additional leave required
April 1 st 2021 - September 30 th 2021	Up to additional 2 weeks (optional)

* # of hours depends on average hours worked - more details on [DOL site](#)

** In 2021, the reasons expanded to include receiving and recovering from a vaccine and parental leave can be caregiving for a child for reasons outside of #6

Amount of Paid Parental Leave

All employees with at least 30 days of tenure are entitled to 12 weeks (up to 480 hours)* of leave, including intermittent leave for taking care of a child.

Time	Amount of leave
April 1 st 2020 – March 31 st 2021	12 weeks (10 weeks paid)
April 1 st 2021 – September 30 th 2021	Up to additional paid 12 weeks (optional)

* # of hours depends on average hours worked – more details on [DOL site](#)

** In 2021, the reasons expanded to include receiving and recovering from a vaccine and parental leave can be caregiving for a child for reasons outside of #6

How much money?

Type of Leave	Amount
Sick Leave (reasons #1 - #4) taken for self	<ul style="list-style-type: none">• 100% of qualified wages (salary + allocable health care expenses) for the day• Capped at \$511/day• Capped at \$5,110 total (10 days)
Caregiving Leave (reason #5)	<ul style="list-style-type: none">• 2/3 of qualified wages (salary + allocable health care expenses) for the day• Capped at \$200/day• Capped at \$2000 total (10 days)
Parental Leave (reason #6)	<ul style="list-style-type: none">• 2/3 of qualified wages (salary + allocable health care expenses) for the day.• Capped at \$200/day• Capped at \$10,000 total (50 days) (April 1, 2020 - March 31, 2021) and \$12,000 total (60 days) (April 1 2021 - September 30, 2020)

Questions?

4.

Employee Retention Tax Credits

Am I eligible for the ERTC?

You must be an **eligible employer** who either:

- experiences a significant **decline in gross receipts during the calendar quarter**; or
- **fully or partially suspends operations** during any calendar quarter due to government orders limiting commerce, travel, or group meetings

All **employers** of any size* including tax-exempt organizations. Self-employed individuals are not considered employers unless they pay employees. The only **ineligible** employers are federal and state government entities and their instrumentalities.**

Notes:

*size matters for calculation of the **amount of the credit**, but **not for eligibility**

*more about what is a government instrumentality - [read here: IRS FAQs](#)

Two pathways to eligibility

You must be an **eligible employer** who either:

1. experiences a **significant decline in gross receipts during the calendar quarter**;

or

2. **fully or partially suspends operations** during any calendar quarter due to **government orders** limiting commerce, travel, or group meetings

ERC Eligibility 1: Gross Receipts Reduction

	2020 (Mar 13 - Dec 31 st)	2021 (All 4 Quarters)
Basic eligibility rule	<p>Greater than 50% reduction in calendar quarter:</p> <p>2020 compared to 2019</p>	<p>Greater than 20% reduction in calendar quarter:</p> <p>2021 compared to 2019</p>
Bonus quarters	<p><u>Every subsequent quarter</u> after the initial qualifying quarter qualifies for the credit as well until:</p> <ul style="list-style-type: none">• December 31st 2020 <p>or</p> <ul style="list-style-type: none">• the end of a quarter with less than a 20% reduction, whichever occurs first.	<ul style="list-style-type: none">• > 20% reduction in Q4 2020 makes you eligible for Q1 2021.• > 20% reduction in Q1 2021 makes you eligible for Q2 2021.• Awaiting further guidance for additional ways to qualify for Q3 and Q4 2021.

Reference Chart: Gross Receipts

Quarter	Required gross receipts reduction	Qualify as bonus quarter?
Q1* 2020	> 50% reduction compared to Q1 2019	n/a
Q2 2020	> 50% reduction compared to Q2 2019	IF qualified for Q1 2020, automatically qualify
Q3 2020	> 50% reduction compared to Q3 2019	IF qualified for Q2 2020 and Q2 > 20% reduction.
Q4 2020	> 50% reduction compared to Q4 2019	IF qualified for Q3 2020 and Q3 > 20% reduction compared to Q4 2019
Q1 2021	> 20% reduction compared to Q1 2019	IF Q4 2020 > 20% reduction compared to Q4 2019, can use to qualify
Q2 2021	> 20% reduction compared to Q2 2019	If Q1 2021 > 20% reduction compared to Q1 2020, can use to qualify
Q3 2021	> 20% reduction compared to Q3 2019	none at the moment (further guidance forthcoming)
Q4 2021	> 20% reduction compared to Q4 2019	none at the moment (further guidance forthcoming)

ERC Eligibility 2: Based on Shutdown

Your operations were either **fully** or **partially suspended** due to a **COVID-19-related governmental order** limiting commerce, travel, or group meetings

What qualifies as a government order?

Employer fully or partially suspends operations during any calendar quarter due to **government orders limiting commerce, travel, or group meetings**

Government Order

- An **order** from the **city's mayor** stating that all non-essential businesses **must close** for a specified period;
- A **State's emergency proclamation** that residents **must shelter in place** for a specified period, other than residents who are employed by an essential business and who may travel to and work at the workplace location;
- **An order from a local official imposing a curfew** on residents that impacts operating hours

Not a Government Order

- **Statements from a governmental official**, including comments made during press conferences
- The declaration of a state of emergency by a governmental authority **if it does not limit** commerce, travel, or group meetings in any manner.
- Health department closes down restaurant due to **non-Covid related violation.**

ERC Eligibility 2: Based on Shutdown

Key question: If an employer's workplace is closed by a governmental order and employees are required to telework, is the employer able to **continue operations comparable to its operations prior to the closure?**

Factors to consider when determining if operations are comparable

From [IRS Notice 2020-21](#) (pages 33-34)

1. Employer's telework capabilities.

Do employees have adequate support (IT & otherwise) to do their work?

2. Portability of employees' work.

Can the work be performed from a remote location?

3. What is the role of the employer's physical workspace?

Is it critical and necessary, beneficial but not necessary, or merely convenient?

4. How long did it take to transition?

Some adjustment period is expected, and, generally, the employer's operations are not considered partially suspended during that period. However, if an employer incurs a significant delay (for example, beyond 2 weeks) in moving operations to comparable telework, then the employer's trade or business operations may be deemed subject to a partial suspension during that transition period.

ERC Eligibility 2: Based on Shutdown

IRS examples focused on the role of the physical workplace and whether comparable work can be performed remotely

IRS Example <small>(read examples in IRS FAQs)</small>	Impact of Government-Ordered Workplace Shutdown	ERC Eligibility?
Physical Therapy Facility 	* Before order: all-in person physical therapy * After order: switch to remote sessions. Less tools available, not all clients are able to attend remote sessions.	yes
Software Firm 	* Before order: some remote work, business meetings at various locations * After order: mandatory telework, all client meetings are remote	no

What if some programs/operations are operating comparably and others aren't?

More than a nominal portion of the employer's business operations **must not be operating in a comparable manner** in order for an employer to characterize their operations as partially suspended and therefore eligible for the ERC.

In [guidance issued on March 1, 2021](#) (page 28) the IRS defines **more than nominal** as constituting:

- **10% or more of gross receipts** for the 2019 quarter; or
- **10% or more of hours worked** for the 2019 quarter.

Solely for purposes of this employee retention credit, a portion of an employer's business operations will be deemed to constitute more than a nominal portion of its business operations if either (i) the gross receipts from that portion of the business operations is not less than 10 percent of the total gross receipts (both determined using the gross receipts of the same calendar quarter in 2019), or (ii) the hours of service performed by employees in that portion of the business is not less than 10 percent of the total number of hours of service performed by all employees in the employer's business (both determined using the number of hours of service performed by employees in the same calendar quarter in 2019).

How much can I receive?

	2020 (Mar 13 - Dec 31 st)	2021 (All 4 Quarters)
Amount of Credit	50% of Unallocated* Qualified Wages** <ul style="list-style-type: none">• salary + healthcare expenses up to \$10,000• up to \$5000 per employee for 2020	70% of Unallocated* Qualified Wages** <ul style="list-style-type: none">• salary + healthcare expenses up to \$10,000• up to \$7,000 per employee per quarter in 2021
Qualified Wages & Employer Size	Small employers: 100 or less employees - based on salaries of all employees Large employers: more than 100 employees working 30 hours/week or more - can only include salary + healthcare for employees who are on payroll but not working	Small employers: 500 or less employees - based on salaries of all employees Large employers: more than 500 employees working 30 hours/week or more - can only include salary + healthcare for employees who are on payroll but not working

How do I apply for tax credits?

Method	Who	2020 Credits	2021 Credits
Withhold payroll taxes	Payroll Provider/PEO	n/a	Talk to your payroll provider
Form 7200 - advance payment	Employer	n/a	Before the end of the quarter
Form 941 (end of quarter)	Payroll provider/PEO	n/a	Speak with your payroll provider
Form 941X (after Form 941 has been submitted for the quarter)	Employer** or PEO/Payroll Provider	Up to 3 years after filing deadline i.e. Q2 2020 would need to be filed by July 2023	Up to 3 years after filing deadline i.e. Q1 2021 would need to be filed by April 2024

5.

Next Steps

Determine your approach



What should I do now?

1. Speak with your payroll provider/PEO to clarify who will file and when
2. Make an allocation schedule to ensure you are not double dipping
3. If you have not filed for PPP Forgiveness, strategize to ensure you are maximizing both

Q&A



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www.nonprofitpractice.org/leadership-learning-series

Appendix: Additional Resources

How do I calculate gross receipts?

The SBA references Section 6033 of the Internal Revenue Code which refers to revenue recognition on the 990

Included	Not included
----------	--------------

Investment income	Unrealized investment gains and losses
Donated goods	Donated services & facilities
Gross revenue from fundraising events	Net revenue

1st round PPP or EIDL* - **not** included in gross receipts calculation for PPP Second Draw; IRS has not yet confirmed same approach for ERTC

Resource: [FMA's gross receipts guidance](#)

Appendix III: Revenue Categories from the 990

The screenshot shows Form 990, Part VIII: Statement of Revenue. It is divided into three main sections: Contributions, Grants, and Other Similar Amounts; Program Service Revenue; and Other Revenue. A fourth section, Miscellaneous Revenue, is also present. Callouts provide the following instructions:

- Contributions, Grants, and Other Similar Amounts:** "Include all revenue. Do not back out any expenses related to raising this revenue." This includes lines 1a through 1f and 1g.
- Program Service Revenue:** "Include all revenue. Do not back out any expenses related to raising this revenue that would be included in 6b, 7b, 8b, 9b, or 10b." This includes lines 2a through 2f.
- Other Revenue:** "Consult with your CPA or 990 preparer on if there is any Miscellaneous Revenue typically included for your organizations." This includes lines 3 through 10e.
- Miscellaneous Revenue:** "Consult with your CPA or 990 preparer on if there is any Miscellaneous Revenue typically included for your organizations." This includes lines 11a through 11g.



How Should Nonprofits Calculate Gross Receipts When Determining if They Are Eligible for Second Draw PPP Loans? Updated January 20, 2021

One of the requirements to apply for a Second Draw PPP Loan is that organizations must have experienced a 25% or greater decrease in gross receipts in any calendar quarter in 2020 compared to the same quarter in 2019. For example, if an organization accrued \$50,000 in gross receipts in Q1 2020 but had \$100,000 in Q1 2019, that would be a 50% reduction and thus they would meet the gross receipts reduction requirement.

Alternatively, the SBA is allowing organizations to compare all of calendar year 2020 to 2019 to calculate the drop in revenue (instead of just looking quarterly), but they can only do so if they have tax records to back this up, which for nonprofits would mean final draft or filed 990s for 2019 and 2020. This probably will not work for many nonprofits given many nonprofits have not drafted their 2020 990s. Thus, in this FMA guidance, we will

Gross Receipts: Restricted v. Conditional Funding

Restricted Funding Included

Full amount of restricted funding (even if multiyear) in the quarter it was pledged or received

As noted above, nonprofits are required to record large contributions, both restricted and without donor restrictions, in the period received or promised even if those contributions will fund expenses over a future period of time. Often times, this will affect the comparability of gross receipts from period to period (the revenue is not spread evenly, like the expenses perhaps might be). The “gross receipts” rules for Second Draw Loans do not impose any special considerations based on this situation.

Restricted Funding Not Included

Releases of restricted funding (the full restricted funding amount should be included in the quarter it was pledged/received)



How Should Nonprofits Calculate Gross Receipts When Determining if They Are Eligible for Second Draw PPP Loans?
Updated January 20, 2021

One of the requirements to apply for a Second Draw PPP Loan is that organizations must have experienced a **25% or greater decrease in gross receipts** in any calendar quarter in 2020 compared to the same quarter in 2019. For example, if an organization accrued \$50,000 in gross receipts in Q1 2020 but had \$100,000 in Q1 2019, that would be a 50% reduction and thus they would meet the gross receipts reduction requirement.

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Conditional Funding Included

Contributions when the **donor-imposed conditions** have been satisfied

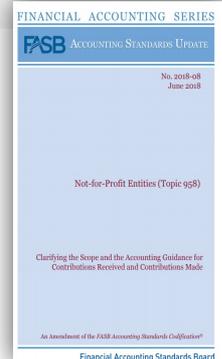
ASU 2018-08 precludes the recognition of a contribution as revenue if the contribution is conditional on events beyond the control of either the resource provider or recipient. A donor-imposed condition exists when it is determinable from the agreement that a recipient is entitled to the contribution only if it has overcome a barrier. A donor-imposed condition must have both—

- one or more barriers that must be overcome before a recipient is entitled to the assets transferred or promised; and
- a right of return to the provider for assets transferred (or for a reduction, settlement, or cancellation of liabilities), or a right of release of the promisor from its obligation to transfer assets (or reduce, settle, or cancel liabilities).

Conditional Funding Not Included

Conditional contributions where the donor-imposed conditions have not been satisfied

Remember that funding with donor-imposed conditions includes **2 distinct elements**



Appendix 2: Double Dipping

What is double dipping?

- ❖ Being **reimbursed** by two different funding sources for the **same expense**.
- ❖ Generally **prohibited by the federal government** and other public and private funders.
- ❖ For the ERTC, payroll taxes are only the **currency** – they are not the expenses being reimbursed. **Qualified wages** (salary + healthcare expenses) are the expenses being reimbursed. Therefore, focus on **unallocated qualified wages** to calculate the credit.

What payments can trigger double-dipping?

*can include payments to a nonprofit **before or after** a specific expense is incurred*

REIMBURSEMENTS

NOT REIMBURSEMENTS

Can Trigger Double Dipping

Will NOT Trigger Double Dipping

Cost-reimbursement contracts

with a government or private funder that **pay for specific incurred costs** upon proof of expenses

Performance-based contracts

where payment is based on deliverables.

Fees paid for services rendered and other payments **not tied to specific incurred costs**

Restricted grants from government or private funders **intended to cover certain specified expenses.**

Funding for general operating support

Unrestricted grants.

Expenses included on PPP Forgiveness Application **not in excess of loan amount**; qualified wages used to claim tax credits

Third party insurance reimbursement for medical services, including billing to Medicaid for such services

ERTC & PPP Double Dipping

- ❖ Qualified wages used to claim the ERTC are considered to **have been reimbursed**. These expenses should not be included on the PPP Forgiveness Application
- ❖ If an expense is listed on the PPP Forgiveness Application and forgiven, it **may be considered to have been reimbursed** (depending on whether expenses are in excess of loan amount). If it is, it can no longer be included in the qualified wages used to claim the ERTC

Examples: PPP Forgiveness & Qualified Wages

Examples from the IRS ([Notice 2021:20](#) page 71) on how payroll expenses included in the PPP Forgiveness Application impact qualified wages available for the ERTC

#	Loan Amount	Expenses Listed on Forgiveness Application	Qualified Wages Available for ERTC
1	\$100,000	\$100,000: all payroll expenses	None. All \$100,000 of listed expenses were needed for full forgiveness.
2	\$200,000	\$250,000 in payroll expenses	\$50,000 - the amount listed in excess of what is needed for forgiveness.
3	\$200,000	\$200,000 of payroll. \$70,000 of nonpayroll expenses incurred but not listed on Application.	None. Cannot amend Forgiveness Application after submission to include additional expenses.
4	\$200,000	\$200,000 of payroll, \$70,000 of nonpayroll expenses	\$70,000 in payroll expenses because nonpayroll expenses were listed.
5	\$200,000	\$200,000 of payroll expenses, \$90,000 of nonpayroll expenses.	\$80,000 of payroll expenses because \$120,000 in payroll expenses needed to satisfy 60% payroll requirement.
6	\$200,000	\$250,000 of payroll expenses (\$150,000 of qualified wages, \$100,000 other payroll expenses) + \$70,000 - nonpayroll expenses	\$120,000 of qualified wages. Nonpayroll + other payroll = 170K, additional 30K needed to get full forgiveness for 200K loan.

Allocation schedules for PPP/ERTC Overlap

Employee	TOTAL Cash Compensation*	REIMBURSED by other sources	REIMBURSED by PPP	UNALLOCATED - can be used to claim tax credits
Employee A				
Employee B				
Employee C				

Employee	TOTAL Health Care Expenses**	REIMBURSED by other sources	REIMBURSED by PPP	UNALLOCATED - can be used to claim tax credits
Employee A				
Employee B				
Employee C				

* **Cash compensation for ERTC** does **not** include severance payments or paid leave.

****Health care expenses for ERTC** include pre-tax employee contribution, but not life insurance or disability insurance

**Appendix 3:
Maximizing PPP
Forgiveness & ERTC**

Maximizing PPP Forgiveness + ERTC

Both PPP and ERTC include wages and healthcare expenses. If these wages and healthcare expenses are forgiven as part of the PPP loan, they **cannot** be used towards the ERTC.

Strategies:

- 1. Maximize non-payroll expenses for PPP** (4 new nonpayroll categories → next slide)
- 2. Increase proportion of PPP payroll expenses not including cash compensation/healthcare** (retirement, life insurance, disability insurance, state/local payroll taxes)
- 3. Increase the amount of total cash compensation over the period**
 - Increase salaries (hazard pay)
 - Hire additional short-term employees

Additional PPP Non-Payroll Expenses

- 1. Covered operations expenditures:** Payment for any software, cloud computing, and other human resources and accounting needs.
- 2. Covered property damage costs:** Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
- 3. Covered supplier costs:** Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
- 4. Covered worker protection expenditures:** Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19