

# Status Check: What Is Available for Clubs and What Are We Asking From Congress?

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## Coronavirus What Clubs Need to Know

Listen: NCA's Joe Trauger Updates Clubs on a New Relief Bill and How Your Voice Can Help

[Become Part of the NCA Network](#)



Connecting clubs with local hospitals to activate a network to provide critical resources and support for frontline hospital workers.



nurse\_org Husband and wife ❤️

350 clubs (representing over 15,000 members) and 200 hospitals in the network.

Join in by visiting **ClubsHelp.org** to donate or find a hospital in your area to help.

Follow Clubs Help on Twitter, Instagram or Facebook **#CLUBSHELP**

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# Joe Trauger

**Vice President of Government Relations  
National Club Association**



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# CARES Act Guide for Nonprofits

- Coronavirus Aid, Relief and Economic Security Act (CARES) initially a \$2.2 trillion bill to provide relief for individuals, small businesses, corporations, hospitals, state and local governments and *some nonprofits*.
- **Paycheck Protection Program**
  - Small businesses with fewer than 500 employees, select types of businesses with fewer than 1,500 employees, *501(c)3 nonprofits with fewer than 500 employees and some 501(c)19 veterans' organizations*.
  - Only amounts used for certain purposes is forgiven, such as payroll, rent, utilities, insurance benefits, interest on mortgage obligations etc.
- 501(c)7 and Section 277 social and recreational clubs are not currently eligible for PPP.
- If your club has qualified or received funds for a PPP loan you should contact your lender to determine appropriate next steps.

# CARES Act Guide for Nonprofits

## Economic Injury Disaster Loans (EIDL)

- Small business owners, including nonprofit organizations that are NGOs or entities that currently have an effective ruling letter from the IRS recognizing federal tax exemption under sections 501(c),(d), or (e).
- Lobbying organizations are not eligible if the organization spends more than 50 percent of expenses on lobbying activities.
- EIDLs of up to \$200,000 can be approved without a personal guarantee. Amounts over \$200,000 require a personal guarantee.
- Funds are intended to cover payroll and other operating expenses that the organization could have otherwise met in a non-disaster economy.
  - Not intended to cover lost sales or profits to pay for expansion.
  - Cannot be used for refinancing, making loan payments on other federal debts, repair physical damages, to pay IRS debts or pay out dividends.
- Interest rate is 2.75 percent for nonprofits.
- Maximum loan amount is \$2 million, but loans have been generally limited to \$25,000.
- 30-year term with deferral on payments for one-year from the date of the note. Favorable, but not forgivable.
- Waives the requirement for applicants to demonstrate inability to obtain credit from other sources.
- Apply directly to Small Business Administration.

# CARES Act Guide for Nonprofits

## Economic Injury Disaster Loan (EIDL) Advance

- Same eligibility as EIDL
- Maximum Amount is \$1,000 per employee, up to a \$10,000 cap.
- Does not have to be repaid if spent on:
  - Paid leave
  - Maintaining payroll
  - Increased costs due to supply chain disruption
  - Mortgage or lease payments
  - Or repaying obligations that cannot be met due to revenue loss
- Direct application to the SBA
  - Part of the same EIDL application



# CARES Act Guide for Nonprofits

## **Employee Retention Payroll Tax Credit**

- Available to small businesses and nonprofit organizations.
- Employers that are partially or fully shut down or with a 50 percent drop in gross receipts in a quarter compared to the same quarter in the previous year.
- Fully or partially suspended operations in any 2020 quarter due to COVID-19 governmental orders. This is on a quarterly basis. Partially suspended means operations continue, but not at a “normal capacity.”
- Payroll tax credit of up to 50 percent of the qualified wages (salaries plus health plan expenses) paid by the employer in a covered quarter, up to \$10,000 in wages per employee – maximum of \$5,000 tax credit per employee for 2020.
- Covers March 13, 2020 through December 31, 2020.
- Tax credit is *refundable* if the credit exceeds payroll taxes due to that quarter.
- If 100 or more employees, the tax credit covers wages for *only those employees not providing services* to the employer during that quarter.
- If less than 100 employees, the tax credit covers the qualified wages of all employees that quarter.
- Wages for Families First Coronavirus Response Act tax credits are excluded.
- Employers are not eligible if they received a PPP loan.

## **Payroll Tax Remittance Delay**

- Employer portion of Social Security payroll tax that would normally be due for the period from March 27 to December 31, 2020 may be delayed. 50 percent due by end of 2021 and the remainder by end of 2022.

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# IRS Proposed UBTI Rule



## New Unrelated Business Taxable Income Proposed Rule

- Change in rule added by the Tax Cut and Jobs Act passed in December 2017
- Proposed regulations issued this week
- Applies to any gross income that is not exempted function income
- No de minimus rule included
- Social clubs received a lot of attention in the regulations
- Effective first year after it is made final but the Code Section already applies
  
- UBTI calculated separately with respect to each trade or business
- No longer able to aggregate income and deductions from all unrelated trades or businesses
- Total UBI is sum of each trade or business
  - UBTI from each trade or business cannot be less than \$0
- Unadjusted gross to gross specifically mentioned as not being a reasonable method to allocate indirect expenses
  - Higher prices to non-members
- NAICS codes used to determine unrelated trade or business – first two digits

# IRS Proposed UBTI Rule



## **New Unrelated Business Taxable Income Proposed Rule**

- Social clubs cannot use Code 71 (includes golf courses and country clubs) to identify all its unrelated trade or business
  - Use for rounds of golf by non-members
- Other businesses specifically mentioned
  - Merchandise sales
  - Food and beverage sales
  - Rental property
- City Clubs (not specifically addressed except as social club)
  - Rooms
  - Food and beverage
  - Fitness
- Non-recurring event such as professional golf tournaments to be addressed later

# NCA in Action

- Supplemental funding bill signed into law last night
  - \$310 billion additional funds for PPP
  - \$75 billion additional funds for Hospitals
  - \$60 billion additional funding for EIDL
  - \$25 billion for testing
- NCA Letter to House/Senate Leadership
- NCA Letter to House/Senate Small Business Committees
- Contact Congress – along with allied associations, well over 10,000 emails, phone calls, and letters
- Outreach by NCA to key House/Senate Offices
- Coordination with We Are Golf Coalition, PGA of America and PGA Tour
- NCA joined US Chamber on letter to include all 501(c)

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# What Are We Asking From Congress?

- The PPP was created to keep employees on payroll in order to limit layoffs. We are asking for Congress to give employees of clubs around the country the same protections employees of other types of businesses receive under the program.
- Phase IV Legislation
- Include clubs in PPP

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# Real Estate Tax Assessments The Impact of Coronavirus



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