

CARES Act Economic Relief Programs Available to Nonprofits

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) became law, offering opportunities for economic relief to small businesses and nonprofits alike, adversely affected by the COVID-19 pandemic. Of particular relevance to nonprofits and tax-exempt organizations, the CARES Act contains the following provisions:

- The Paycheck Protection Program provides low-interest Small Business Administration (SBA) loans to 501(c)(3) and 501(c)(19) tax-exempt organizations with up to 500 employees to cover 1) qualified payroll costs; 2) rent and utilities; and, 3) interest on mortgage and debt obligations. For more information see: <https://home.treasury.gov/system/files/136/PPP%20--%20Overview.pdf>
- Employee Retention Payroll Tax Credit: A refundable employee retention payroll tax credit for eligible employers, including nonprofits, equal to 50% of “qualified wages” paid to employees, including health plan expenses. An organization is eligible if its operations were fully or partially suspended due to a governmental stay at home order, its gross receipts declined by more than 50% compared to the same quarter in a prior year, and it has not received a Payroll Protection Program Loan. For more information, see: <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>
- Deferred Employer Payroll Taxes: All employers, including nonprofits, may defer payroll tax payments over the next two years, with half due by December 31, 2021 and the second half due by December 31, 2022.

- Unemployment Benefits: For those nonprofits that have elected to be reimbursable employers in a state unemployment insurance program, they may be reimbursed for one-half of amounts paid into those programs between March 13, 2020 and December 31, 2020.
- Economic Injury Disaster Loans (EIDL) and Grants: The CARES Act expands the availability of EIDLs to private nonprofits for expenses and operating costs they might not otherwise be able to pay due to the pandemic, with creditworthiness requirements eliminated. Plus, EIDL applicants may be eligible to receive up to \$10,000 of the loan amount be distributed as a forgivable grant, advanced within three days after the loan application is filed with the SBA, to be used for paid sick leave, payroll, supply costs, rent or mortgage payments, or repaying other obligations. For more information, see:
<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- Emergency Small Business Loans: Emergency SBA Section 7(a) loans of up to \$10 million to businesses and certain nonprofits with fewer than 500 employees for operating expenses with the option for forgiveness for employers that maintain employment between March 1, 2020 and June 30, 2020. For more information, see:
<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- Exchange Stabilization Fund: The CARES Act created a Fund to provide loans to certain businesses, as well as to large nonprofit organizations with 500 to 10,000 employees at 2% interest and no payments due for the first six months. Loans from the fund are not forgivable.
- Charitable Giving Incentives: The CARES Act eases the limits on charitable giving contributions from 60% of adjusted gross income to 100% for individuals and from 10% to 25% of taxable income for corporations.