

# Financial Assistance for 501(c)(3)s in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

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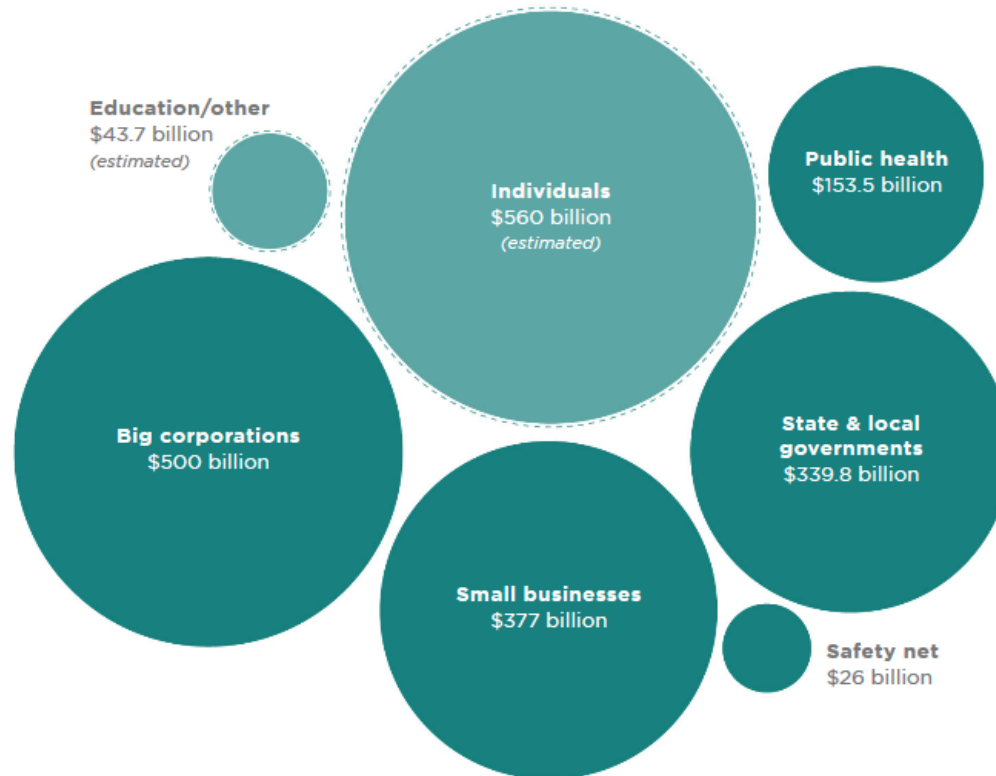
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UNITED WE WIN.

LIVE UNITED

# CARES Act = \$2.2 trillion

## How The \$2 Trillion Breaks Down

The CARES Act provides relief to several groups impacted by the coronavirus pandemic.



Source: Estimates for third relief bill based on bill text, committee and administration numbers.

Credit: Audrey Carlsen/NPR

# ***CARES Act Opportunities for 501(c)(3)s***

- ***Paycheck Protection Program (PPP) (SBA)***
- ***Nonitemizer Deduction***
- ***Employee Retention Tax Credit***
- ***Emergency Injury Disaster Loans (EIDL) (SBA)***
- ***Emergency Economic Injury Grants (SBA)***
- ***Unemployment Payments for Self-Insured Nonprofits***
- ***Bonus: July 15, 2020 tax filing***

# The Paycheck Protection Program

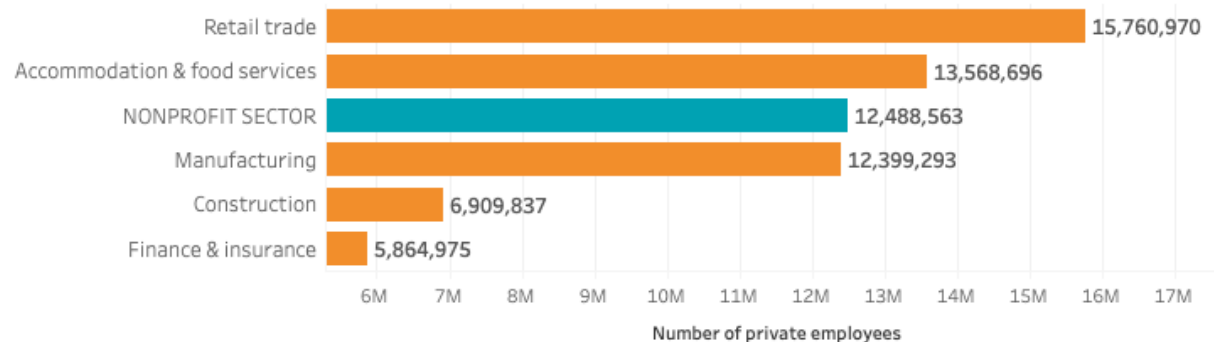
- New SBA program, which includes nonprofits with fewer than 500 employees – Applications started April 3, 2020  
[Paycheck Protection Program – Interim Final Rule](#)
- Maximum amount \$10 million or 2.5 times average monthly payroll; interest rate 1%; Defer payments for 6 months  
[Final Borrower Application Form](#)
- Traditional lenders with 100% SBA guarantee [100 Most Active SBA Lenders](#)
- Presumption of adverse impact by COVID-19
- **Some or all forgiven if used for payroll and other select expenses**
- SBA Paycheck Protection Program [website](#)

# The Paycheck Protection Program

\$349 billion = 6 weeks of payroll for American small businesses

- Free money: Is it too good to be true?
- Purpose: To keep people employed
- 3.3 million unemployment claims week ending March 21
- Why nonprofits are included:

Nonprofit employment vs. private for-profit employment in other industries, 2017



Source: "Not just an urban phenomenon—New data on the nonprofit workforce," 2019 Labor Day News Release, Johns Hopkins Center for Civil Society Studies, September 6, 2019, <http://ccss.jhu.edu/labor-day-2019>. Data from Bureau of Labor Statistics.

# The Paycheck Protection Program

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## Eligible Recipient Good Faith Certification:

- “the uncertainty of current economic conditions makes necessary the loan request to support the ongoing operations . . . .”
- The funds will be used to retain workers and maintain payroll or make certain payments.
- The recipient does not have an application pending for the same purpose and duplicative amounts.
- The recipient has not received amounts for the same purpose and duplicative amounts.

# Tax Incentives for donations

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- Nonitemizers
  - \$300 deduction
  - 2020 only and cash only
  - 88% of taxpayers don't itemize (132 million people)
  - Average UW donation about \$150 (excluding leadership and up donors)
- Itemizers
  - AGI limit of 60% waived for 2020
- Corporate
  - Income cap on deductibility for corporate donations raised from 15% to 25% for 2020

# Employee Retention Tax Credit

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- Payroll tax credit deferral of employer side of payroll taxes (50% up to \$10k/ employee)
- Eligible if: operations fully or partially suspended due to COVID-19, or gross receipts declined by more than %50
- Eligible wages: For employers with greater than 100 full-time employees, wages paid to employees when they are not providing services to due to COVID-19.
- For employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to shut-down order.
- Must be paid back and does not apply to businesses that get Paycheck Protection Program forgiveness



# Economic Injury Disaster Loans

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## EIDLs

- Expands existing SBA program
- Includes nonprofits with fewer than 500 employees
- SBA approves solely on credit score
- 2.75% max interest rate
- Personal guarantee for loans over \$200k
- May receive both Paycheck Protection Program and EIDL

# Emergency Economic Injury Grants

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- Available if org is applying for SBA Economic Injury Disaster Loans (EIDLs)
- \$10,000 max
- Processed in 3 days
- Must be spent on paid leave, payroll, supply chain disruption, mortgage/lease, payments that can't be met because of revenue loss
- Counts toward total EIDL balance
- Forgiven if EIDL application is denied

# Unemployment Payments for Self-Insured Nonprofits

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- Nonprofits that elect to self-insure for unemployment claims (rather than paying state unemployment tax) will be reimbursed for 50% of the costs of benefits provided to their laid-off employees.

# Tax Filing Date Extension

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Implications of tax filing date extension on management of Volunteer Income Tax Assistance (VITA) sites:

- Consider reconstituting VITA sites if circumstances allow
- Key mission service that will help people access funds like EITC
- If deduction expanded retroactively, provides access to new nonitemizer deduction
- Should announce to your community
- [Article listing state tax filing deadlines](#)