**CARES ACT HELP:  FOR NONPROFITS(NP)**

Chapters should review the options available and pick the best course depending on organizational circumstances, in some cases, choosing one option (e.g., the employee retention tax credit) will exclude a NP from eligibility for another option (e.g., the SBA 7a loans).

Employee Retention Payroll Tax Credit

Refundable payroll tax credit for up to half of the cost and up to $5,000 per employee that is kept on the payroll. Applies when a tax-exempt organization that existed in the first quarter of 2019 saw a decline in revenue (taking into account the entities whole operations) had a 50% drop between the first quarter of 2020 and the first quarter of 2019. The availability of the credit would continue each quarter until the organization’s revenue exceeds 80 percent of the same quarter in 2019. *If you take this credit, you cannot also get an SBA 7a Loan - pick one (see below)*.

Emergency Small Business Loans (SBA 7[a])

SBA Emergency Loans up to $10 million for eligible nonprofits to cover payroll, operations, health insurance premiums, facilities costs, and debt service. Available to entities that existed on March 1, 2020 and had paid employees. Available for nonprofits with 500 or fewer individual employees (count each FT and PT individual, not FTEs). Employers that maintain employment between March 1 and June 30 or rehire employees by June 30 would be eligible to have their loans forgiven, *essentially turning the loan into a grant*. These loans may be disbursed through any government-backed lender within 1-2 weeks from now (3/27). An application through SBA is not necessary.

Economic Injury Disaster Loans (EIDL)

Loans of up to $2 million at 2.75% interest; this program already exists but the CARES Act eliminates creditworthiness requirements. They go directly through the SBA in any area that has a declared disaster (the entire U.S. is covered by that right now). Nonprofit applicants with 500 or fewer employees can get checks for $10,000 within three days (if all goes well - some reports of delays). [Apply here](https://disasterloan.sba.gov/ela/Information/EIDLLoans). Most likely, *organizations cannot participate in both EIDL and SBA 7a (see above); choose one or the other.*

Industry Stabilization Fund

This is the biggest piece of the CARES Act pot, an enormous fund of $500 billion (with a “b”) in loans to mid-sized employers (defined as 500-10,000 employees). There is no loan forgiveness but interest rates are capped at 2% and would not accrue interest or require repayments for the first six months. Nonprofits accepting the mid-size business loans must retain at least 90% of their staff at full compensation and benefits. *Borrowers most likely cannot tap other CARES Act relief if they use this fund.*

Social Security Payroll Tax Deferral

Defers the 6.2% tax on wages that is used to fund Social Security, which would instead be paid over the following two years: half by Dec. 31, 2021, and the other half by Dec. 31, 2022. This is the employer’s portion; the delay does *not* apply to the worker’s share, which would still be collected through withholding as normal. The delay also does *not* apply to the employer’s Medicare Tax.

Amendments to the New Paid Leave Mandates

Lowers the amounts that employers must pay for paid sick and family leave under the FFCRA to the amounts covered by the refundable payroll tax credit (see previous) – i.e., $511 per day for employee sick leave or $200 per day for family leave.

Self-Funded Nonprofits and Unemployment

Regarding nonprofits, which traditionally pay 100% of the cost of unemployment compensation for laid off workers, the federal government will now cover 50% of these costs; details forthcoming. CARES Act reimburses self-funded nonprofits for half of the costs of benefits provided to their laid-off employees. [See more info here](https://www.councilofnonprofits.org/thought-leadership/self-insured-nonprofits-and-unemployment-insurance).

Charitable Giving Incentive

The CARES Act includes a temporary above-the-line deduction (universal or non-itemizer deduction that applies to all taxpayers, even if they use the standard deduction) for total charitable contributions of up to $300 made in 2020 and would be claimed on tax forms next year. Raises the existing cap on annual contributions for those who itemize from 60% to 100% of adjusted gross income and raises the annual limit from 10% to 25% for corporations. Food donations from corporations would be up from 15% to 25% cap. The individual deduction excludes non-cash gifts and does not apply to gifts made to donor advised funds. This expires at the end of 2020 and is intended to help recoup losses this year.

Mortgage Relief

Commercial borrowers with federally backed loans could potentially skip payments for at least 30 days with a possible extension of up to 60 additional days. Businesses have to document financial hardship and they would be barred from evicting tenants as long as they are missing mortgage payments.