

# ➤ REAL INSIGHTS: HOW DO FEDERAL CORONAVIRUS RELIEF LAWS HELP NONPROFITS?

The federal government enacted the Families First Coronavirus Response Act and the Coronavirus Aid, Relief and Economic Security (CARES) Act to deliver spending and relief measures for organizations and families impacted by COVID-19. Many nonprofits are on the front lines of this public health crisis, continuing to deliver essential services like health care, food assistance, education, social welfare and more. There are a number of provisions in both of these acts that can support nonprofits during these challenging times. Below, we highlight the key opportunities. As always, please discuss your nonprofit's specific needs and circumstances with [your RKL advisor](#).

## Emergency Small Business Loan Options for Nonprofits

The CARES Act launched several new loan and loan guarantee programs to help small businesses and nonprofit organizations remain viable and retain their workforce during this crisis. For nonprofit organizations, eligibility for the loans depends on employee count and classification under Section 501(c) of the Internal Revenue Code.

**501(c)(3) and 501(c)(19) with fewer than 500 employees:** Nonprofits of these types and size that existed since March 1, 2020 or earlier are eligible to apply for new Emergency Small Business Loans, **also known as Paycheck Protection Program**. No other nonprofit types are eligible. Employee count includes both full and part-time employees.

The Small Business Administration (SBA) offers loans of up to \$10 million and expedited loans of up to \$1 million. Unlike traditional SBA loans to for-profit entities, neither a personal guarantee nor collateral are required from nonprofit applicants. These loans are forgivable if nonprofits retain staff between March 1 and June 30, 2020. The loan forgiveness essentially turns this funding into a grant, which can be used for payroll (including health care costs), operations and debt service. The language in earlier drafts that would have disqualified nonprofits eligible for Medicaid payments did not make it into the final CARES Act.

**Nonprofits of all types with more than 500 employees:** Larger nonprofits can take guaranteed loans under the new Industry Stabilization Fund. While these loans are not forgivable, the interest rate is capped at two percent and interest accrual and repayment are suspended for the first six months. If your nonprofit accepts this loan, it must retain or re-hire at least 90 percent of its employee complement at full compensation.

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# ▶ HOW DO FEDERAL CORONAVIRUS RELIEF LAWS HELP NONPROFITS? (CONTINUED)

**Any size and type of nonprofit:** Economic Injury Disaster Loans (EIDL) are available through the SBA. Nonprofits may apply for a loan of up to \$2 million at an interest rate of 2.75 percent. Get a basic overview of EIDL [here](#). The CARES Act enhanced EIDL with an additional \$10 billion that gives a \$10,000 emergency advance to loan applicants with 500 or fewer employees within three days of applying. If the application is denied, the applicant does not need to repay this emergency advance.

## Employee Retention Payroll Tax Credit

The CARES Act introduces a new refundable payroll tax credit for organizations that either closed/suspended operations OR experienced at least a 50 percent reduction in revenue in the first quarter of 2020 compared to the first quarter of 2019. Nonprofits must take their whole operations into account when calculating revenue decline.

Organizations that meet either of these tests can take a one-year credit of up to \$5,000 for each employee on its payroll between March 13, 2020, and December 31, 2020. The credit would remain available each quarter until revenue exceeds 80 percent of the same quarter in 2019. **NOTE:** 501(c)(3) and 501(c)(19) organizations receiving Payroll Protection Loans are not eligible to take the Employee Retention Payroll Tax Credit.

## Charitable Giving Incentives

In addition to providing government support to nonprofits, the CARES Act also attempts to incentivize individuals to donate to 501(c)(3) organizations during this time of need. Effective immediately, taxpayers who do not itemize deductions may take an above-the-line deduction of up to \$300 for charitable contributions made during 2020. For taxpayers who itemize, the 60 percent limit on contributions compared to their adjusted gross income is increased to 100 percent.

## New Paid Sick and Family Leave Mandate

Under the Families First Coronavirus Response Act, all employers with fewer than 500 employees must offer temporary paid sick and family leave. Employers paying for the mandated paid leave are entitled to claim a refundable tax credit, which is allowed against the employer portion of payroll taxes. Any paid leave costs that exceed the amount of payroll taxes owed will be refundable to the employer at the end of each quarter. The CARES Act adjusted the amounts employers must pay to cover these leave costs to equal the amounts covered by the refundable tax credit.

[Click here](#) for more details on these emergency leave provision.

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## Expanded Access to Unemployment Benefits

The Families First Coronavirus Response Act expanded unemployment aid to workers whose jobs are lost or hours reduced due to COVID-19. The CARES Act took these enhancements further, to encompass furloughed workers, freelancers and gig workers and increase payments by \$600 per week for four months on top of existing state unemployment compensation. For self-funded nonprofits, the CARES Act provides for the reimbursement of half of the cost of benefits provided to laid-off employees.

Nonprofits should act quickly to take advantage of these emergency loan options. [Your RKL advisor](#) can help nonprofit leaders assess eligibility and start the application process, which is being administered at the local or county levels. RKL's [Not-for-Profit Industry Group](#) has a wide range of expertise to help organizations manage other operational, workforce and financial challenges during these unprecedented times.

Stay tuned to RKL's [Coronavirus Employer Resource Center](#) for our latest guidance and registration for our weekly webinar series.



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