



Essential information for nonprofits navigating COVID-19

pittsburghfoundation.org/covidwebinar

UNDERSTANDING THE CARES ACT

How the Coronavirus Aid, Relief, and Economic Security Act
Impacts Nonprofit Organizations

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ELEMENTS OF THE CARES ACT IMPACTING NONPROFITS

- Paycheck Protection Program Loans and Economic Injury Disaster Loans (Sections 1102, 1106, and 1110)
- Economic Impact Payments (Section 2201)
- Tax Incentives (Sections 2301, 2302, 2204 and 2205)
- Treasury Economic Stabilization Fund (Title IV)



PAYCHECK PROTECTION PROGRAM AND EIDLs

SBA'S PAYCHECK PROTECTION PROGRAM

- What is the Paycheck Protection Program (PPP)?
- Who is eligible for a loan under the PPP?
- What is the application process?
- What are the requirements for loan forgiveness?



WHAT IS THE PAYCHECK PROTECTION PROGRAM?

- An expansion of the existing SBA 7(a) lending program.
- SBA provides 100% guarantee on loan.
- Allows small for-profit and nonprofit entities to borrow under favorable terms:
 - Maximum loan amount is lesser of 2.5 x average monthly “payroll costs” or \$10 million
 - Interest rate = 1%
 - Loan term = 2 years
 - No personal guarantee or collateral required

WHAT IS THE PAYCHECK PROTECTION PROGRAM (CONT.)?

- Loan proceeds may be used for:
 - Payroll costs
 - Rent
 - Mortgage payments
 - Utilities



WHO IS ELIGIBLE FOR A LOAN UNDER THE PPP?

Generally --

- For-profit businesses and nonprofit organizations, including religious organizations, in operation on February 15, 2020.
- Must employ 500 or fewer employees.
 - Includes full-time and part-time employees.
 - Take monthly average over preceding 12 months.
- Affiliation rules apply.
- Must not be in bankruptcy or be suspended or debarred by any Federal department or agency.

SPECIFIC TO NONPROFIT ORGANIZATIONS

- Section 501(c)(3) organizations.
 - Interim Final Rule says, “A tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code.” Statute also requires exemption from tax under section 501(a).
- Affiliation rules apply. Look to totality of facts and circumstances.
 - “Concerns and entities are affiliates of each other when one controls or has the power to control the other, or a third party or parties controls or has the power to control both. It does not matter whether control is exercised, so long as the power to control exists....SBA considers factors such as ownership, management, previous relationships with or ties to another concern, and contractual relationships, in determining whether affiliation exists.” 13 CFR 121.103(a)

SPECIFIC TO NONPROFIT ORGANIZATIONS

- Interim Final Rule provides:
 - “The relationship of a faith-based organization to another organization is not considered an affiliation with the other organization . . . If the relationship is based on a religious teaching or belief or otherwise constitutes a part of the exercise of religion.” 13 CFR 121.103(b)(10)(i)
 - “[T]he term ‘faith-based organization’ includes, but is not limited to, any organization associated with a church or convention or association of churches within the meaning of 26 U.S.C. 414(e)(3)(D).” 13 CFR 121.103(b)(10)(i)

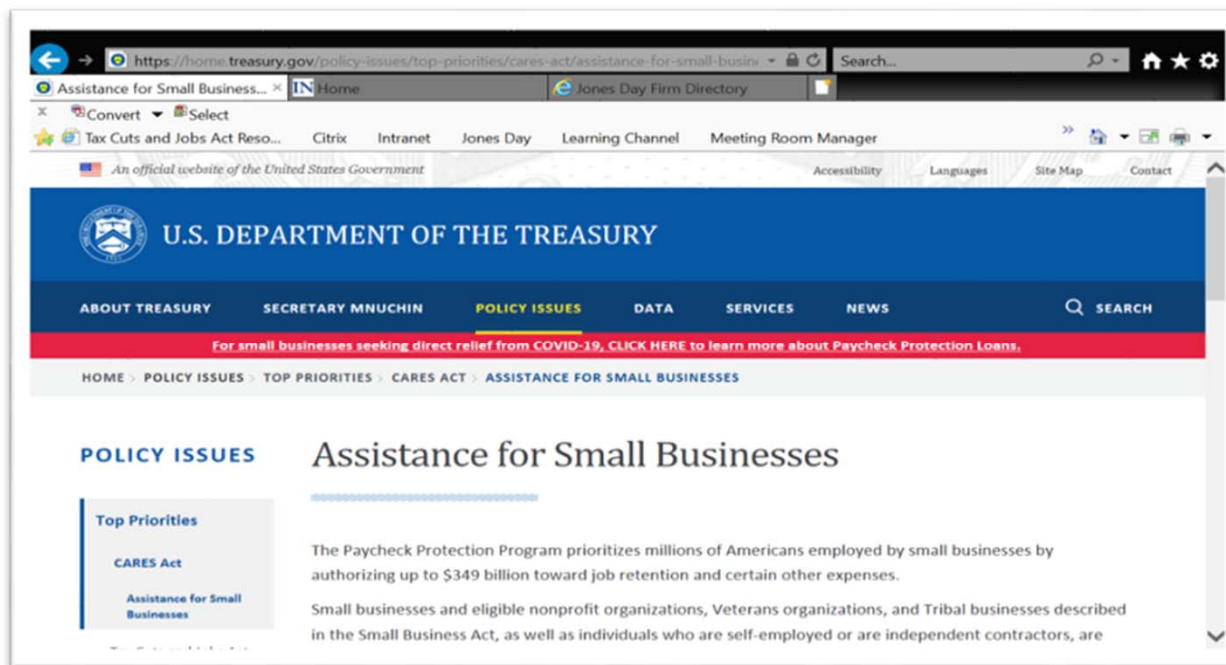
WHAT IS THE APPLICATION PROCESS?

- Submit application to lender.
 - Note: certain elements of SBA application form are an awkward fit for nonprofits.
- Note: certifications on application.
- Have documentation of employees and payroll expenditures.
 - Payroll documentation may require extra work or analysis if using third party for payroll.
- Lenders likely to give priority to existing borrowers.

WHAT ARE THE REQUIREMENTS FOR LOAN FORGIVENESS?

- Loan may be forgiven up to full principal amount, subject to a number of conditions.
- Detailed computation. General principles to get full forgiveness as follows:
 - To get full forgiveness, at least 75% of loan proceeds used for payroll costs. No more than 25% of loan proceeds spent on rent, mortgages, utilities.
 - Average monthly number of full-time equivalent employees over eight weeks, starting from date loan originates, at least equals the average monthly full-time equivalent employees for benchmark period.
 - Limits on amount of reduction to wages paid to each employee.

INFORMATION ON TREASURY.GOV





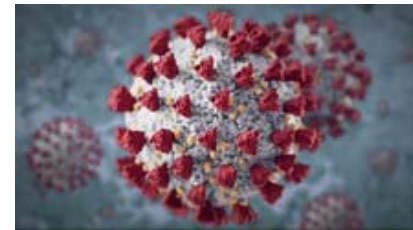
LINK TO TREASURY.GOV PAGE

- <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

ECONOMIC INJURY DISASTER LOAN PROGRAM

The CARES Act expands eligibility for the Economic Injury Disaster Loan (EIDL) Program.

- The Act makes small business concerns and private nonprofits located in the United States eligible for EIDLs due to the widespread impact of the Coronavirus.
- Loan amounts generally up to maximum of \$2 million.
 - Nonprofit interest rate = 2.75%
- Maximum loan term up to 30 years.
- Repayment begins 12 months after funds received.



ECONOMIC INJURY DISASTER LOAN PROGRAM

- The CARES Act creates Emergency Grant program:
 - Applicants may request an advance of up to \$10,000 on an EIDL, which is paid within three days of a loan application. An eligible entity need not repay advance, even if EIDL application is denied.
 - EIDL Funds may be used to pay for working capital that is necessary until resumption of normal operations and for expenditures necessary to alleviate the specific economic injury.

A dark blue background featuring a faint, stylized world map with latitude and longitude lines.

INFORMATION REGARDING ECONOMIC IMPACT PAYMENTS FOR INDIVIDUALS

ECONOMIC IMPACT PAYMENTS

- Cash payments to individuals:
 - \$1,200 for single filer with AGI of \$75,000 or less
 - \$2,400 for married filing jointly with AGI of \$150,000 or less
 - \$500 for each qualifying child
- Payments phase out above these income levels.
- Taxpayer must have a Social Security Number.
- IRS will pay by direct deposit if it has bank information. Otherwise, payment will be sent by paper check.
- Will rely on 2019 return, or if not yet filed, 2018 return for information.



ECONOMIC IMPACT PAYMENTS FOR INDIVIDUALS

- Social Security beneficiaries who are not required to file tax returns will not need to file to receive a payment.
- Eligible individuals who have not been required to file should watch the IRS website for easy ways to provide the IRS with information so they can get their payments.
- Eligible individuals who have not provided the IRS with direct deposit information on their 2018 or 2019 tax returns should watch the IRS website for a new way to provide that information.
- The IRS also urges anyone who has not filed a tax return for 2018 or 2019 yet, to file as soon as possible to receive an economic impact payment.
- Watch for scams! IRS communicates by mail, not phone or email.

IRS INFORMATION AND UPDATES



The screenshot shows the IRS website's "Coronavirus Tax Relief and Economic Impact Payments" page. The browser address bar displays the URL: <https://www.irs.gov/coronavirus-tax-relief-and-economic-impact-payments>. The page header includes the IRS logo, navigation links for Help, News, English, Charities & Nonprofits, and Tax Pros, and a search bar. The main content area features the title "Coronavirus Tax Relief and Economic Impact Payments" with links for English and Español. A sidebar on the left lists "Topics in the News" (Coronavirus Tax Relief), "News Releases", "Multimedia Center", and "Tax Relief in Disaster Situations". The main text states: "We are offering tax help for taxpayers, businesses, tax-exempt organizations and others – including health plans – affected by coronavirus (COVID-19)." Below this, a section titled "Economic Impact Payments" says: "We will start sending payments to most Americans in April." and lists two bullet points: "Do not call" and "Most people won't need to take any action." An image of US dollar bills is shown to the right of this section.

[Home](#) / [News](#) / [Topics in the News](#) / Coronavirus Tax Relief and Economic Impact Payments

Coronavirus Tax Relief and Economic Impact Payments

[English](#) | [Español](#)

Topics in the News

- Coronavirus Tax Relief

News Releases

Multimedia Center

Tax Relief in Disaster Situations

We are offering tax help for taxpayers, businesses, tax-exempt organizations and others – including health plans – affected by coronavirus (COVID-19).

Economic Impact Payments

We will start sending payments to most Americans in April.

- Do not call
- Most people won't need to take any action



ALSO IN SPANISH

The screenshot shows the IRS website in Spanish. The browser address bar displays the URL: <https://www.irs.gov/es/coronavirus-tax-relief-and-economic-impact-payments>. The page title is "Alivio tributario por coronavirus y pagos de impacto económico". The main heading is "Alivio tributario por coronavirus y pagos de impacto económico". Below the heading, there is a section titled "Temas en las noticias (en inglés)" with a link to "Alivio tributario por el coronavirus". To the right, there is a section titled "Pagos de impacto económico" with the text: "Ofrecemos ayuda tributaria para contribuyentes, empresas, organizaciones exentas de impuestos y otros – incluidos los planes de salud – afectados por el coronavirus (COVID-19).". Below this text is an image of US dollar bills. The page also includes a search bar and a language selector (English | Español).

UNEMPLOYMENT BENEFITS

- Information on what the CARES Act has done to expand unemployment benefits is available in yesterday's presentation by James Urban of Jones Day.
 - “Labor & Employment Considerations In A COVID-19 World”
- Find it here: <https://pittsburghfoundation.org/covid-webinar-series>



TAX INCENTIVES

EMPLOYEE RETENTION TAX CREDIT

- Refundable payroll tax credit equal to 50% of qualified wages paid to certain employees.
- Credit available to nonprofit and for-profit employers whose --
 - Operations were fully or partially suspended, due to a COVID-19 related shut-down order, or
 - Gross receipts declined by more than 50% when compared to the same quarter in the prior year.



EMPLOYEE RETENTION TAX CREDIT

- For employers with average of more than 100 full-time employees:
 - Credit available only for qualified wages paid to employees who *do not perform services* due to the partial or full shut-down of the employer's activities, or the drop in gross receipts.
- For employer with average of 100 full-time employees or fewer:
 - Credit available for qualified wages paid during the shut-down period or certain payroll quarters affected by the drop in gross receipts.
- Qualified wages may not exceed lesser of \$10,000 or the amount the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the covered period.

EMPLOYEE RETENTION TAX CREDIT (CONT.)

- Qualified wages are those paid during the periods employer is eligible, which can be as early as March 13, 2020 and as late as December 31, 2020.
- Credit can be used to reduce payroll tax deposits and generate an advance payment of a cash refund.
 - New IRS Form 7200 available.
- Employer who receives a PPP loan is not eligible to claim the employee retention tax credit.
- Employers can get immediately reimbursed by reducing required deposits of payroll taxes withheld from employees' wages.

DEFERRAL OF EMPLOYER SHARE OF SOCIAL SECURITY TAX

- Employers may defer payment of employer share of Social Security tax (6.2%) on employee wages paid between March 27, 2020 and December 31, 2020.
- Deferred taxes must be paid over the following two years:
 - 50% by December 31, 2021
 - 50% by December 31, 2022
- Payroll tax may not be deferred if the nonprofit receives a PPP loan and has part or all of loan forgiven.
- Employers may reduce deposits to reflect deferral.

ENHANCED CHARITABLE CONTRIBUTION DEDUCTION RULES

- Nonitemizers may deduct up to \$300 of charitable contributions in addition to taking the standard deduction.
- Individual taxpayers who itemize their deductions may fully deduct cash charitable contributions made in 2020.
 - Prior to the change, charitable contribution deductions were limited to 50% of an individual taxpayer's adjusted gross income.
- Increases the limitation on cash charitable contributions made by corporations from 10% to 25% of taxable income.
- Increases the amount that corporations can deduct for contributions of food inventory from 15% to 25% of taxable income.



TREASURY ECONOMIC STABILIZATION FUND

- Federal Reserve has issued information about Main Street New Loan Facility:
 - Loans available through main street banks
 - “Eligible borrowers are businesses with up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues.”
 - Loans range from \$1 million to \$25 million
 - No explicit information as of yet about eligibility of nonprofits to borrow through this program.





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