

Non-Profit Notes

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) – Benefits for Not-for-Profits

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After its passing in both the Senate and House, the President signed into law the \$2 trillion coronavirus relief bill formally known as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (the Act). The CARES Act provides economic relief to individuals, businesses and not-for-profit organizations (NFPs) suffering economic distress caused by the widespread effects of the Coronavirus.

The following are several provisions of the CARES Act that could benefit NFPs:

- **Emergency Small Business Loan program (500 or Fewer Employees)**
The CARES Act expands the federal Small Business Administration (SBA) 7(a) loan program to include a new Emergency Small Business Loan (ESBL) program. To be eligible to participate in the ESBL program, NFPs must have been in existence on March 1, 2020 or earlier and have 500 or fewer employees. A key provision under this new program states that *loans are forgivable* if the NFP keeps staff on its payroll between March 1 and June 30. For many organizations, this provision will eventually convert any outstanding loan amount into a general operating support grant. Forgivable loans of this type can be taken out for as much as \$10 million and can be used to meet payroll and related costs (including health insurance premiums), facilities costs, and debt service.
- **Loan Support for Larger Entities (500–10,000 Employees)**
The CARES Act also creates a loan and loan guarantee program through a new Industry Stabilization Fund. The Fund will specifically target mid-size organizations, defined as having between 500 and 10,000 employees. This loan and loan guarantee program, unlike the ESBL program, does not provide loan forgiveness, but limits the interest rate no higher than two percent and would not accrue interest or require repayments for the first six months. Not-for-profit organizations receiving these types of loans must retain or rehire at least 90 percent of their staff at full compensation.
- **Other Support Available for NFPs**
Under the SBA's existing Economic Injury Disaster Loans (EIDL) program, NFPs can apply for loans of up to \$2 million at an interest rate of 2.75 percent. The loans may be used to pay fixed debts, payroll and associated costs, accounts payable and other bills that an organization can't pay because of the pandemic's impact. The CARES Act revises the EIDL to eliminate creditworthiness requirements. According to the Act's provisions, eligible nonprofits with 500 employees or fewer should be able to get checks for \$10,000 within three days.
- **Tax Benefits for Donors**
The CARES Act contains a one-time, above-the-line deduction for cash contributions of up to \$300 made to certain qualifying charities. All taxpayers would be eligible to take the deduction, including those who use the standard deduction. The incentive applies to contributions made in 2020 and would be claimed on tax forms filed next year. The new deduction would not apply to noncash gifts or to gifts contributed to donor advised funds.

Additionally, for individual taxpayers who itemize deductions, the Act suspends, for 2020, the normal limit on deductions for contributions, ordinarily 50 percent of adjusted gross income (AGI)

or 60 percent for cash. For corporations, the limit on deductions for contributions, ordinarily 10 percent of AGI, rises to 25 percent for 2020. Food donations from corporations would be available to 25 percent, up from the current 15 percent cap.

Contact Us

We are monitoring developments in Washington, DC and will communicate with our clients as necessary so that they are updated. We also invite you to visit our [COVID-19 Resource Center](#) for more news and insights on related topics.

In the interim, if your not-for-profit organization needs assistance with any accounting, auditing, tax or business consulting services, please contact the partner in charge of your account or:

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