

CARE ACT FOR NONPROFITS AND DONORS: WHAT WE KNOW SO FAR

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AGENDA

INTRODUCTIONS

BRIEF OVERVIEW OF CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY (CARES) ACT

PAYCHECK PROTECTION PROGRAM

ECONOMIC INJURY DISASTER LOAN

OTHER PROVISIONS

QUESTIONS

FEDERAL INCOME TAX DEDUCTION CHANGES

For 2020

- Non-itemizers can take a \$300 charitable deduction.
- The cap on charitable deductions increased from 60% to 100% of AGI for individuals and from 10% to 25% for corporations. (For cash gifts).
- Importantly, these rules exclude gifts to private foundations, donor-advised funds and supporting organizations. Goal: support public charities.

EVOLVING QUICKLY

- Loan application form reportedly issued last Thursday night on Secretary of Treasury Steve Mnuchin's twitter account
- Loan application form changed at 12:01 Friday morning
- As of Friday at 5:00 p.m., 13,699 loans totaling \$4.3 billion had been processed
- JP Morgan Chase and Wells Fargo had not yet begun accepting applications
- Smaller, community banks up and running

TAX EXEMPT NONPROFIT ORGANIZATIONS

Eligibility by program

Paycheck Protection Program	Economic Injury Disaster Loan
501(c)3 or 501(c)19 – includes faith-based organizations, in operation 2/15/2020 and reporting payroll paid and payroll taxes.	501(c)(d)(e) – includes faith-based organizations, in operation 1/31/2020 and reporting payroll paid and payroll taxes.
500 or fewer employees	500 or fewer employees
Must certify that uncertainty of current economic conditions makes loan request necessary to support ongoing operations	Must have suffered “substantial economic injury”

PAYROLL PROTECTION ACT

Amount Available	2.5 times qualified expenses up to \$10 Million
Term/Maturity	2 years
Forgivable	Yes
Interest Rate	1%
Deferral	6 months, interest accrues
Collateral	None
Guarantees	None
Administrator	SBA Approved Financial Institution and FDIC backed institutions
Approved Uses for Funds	Payroll and related benefits, interest on mortgage payments or other debts, rents and utilities

QUALIFYING USES OF PPP PROCEEDS

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- Mortgage interest payments (but not mortgage prepayments or principal payments)
- Rent payments; utility payments; interest payments on any other debt obligations that were incurred before February 15, 2020; and/or
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020 and used for payroll costs.

QUALIFIED PAYROLL COSTS

“75% of loan proceeds shall be used for payroll costs”

- Wages, Salaries, Commissions (up to \$100,000 per individual)
- Cash tips or the equivalent
- Payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal;
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- Payment of state and local taxes assessed on compensation of employees; and,
- For an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

DISQUALIFIED PAYROLL EXPENSES

- Any compensation of an employee whose principal place of residence is outside of the United States;
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and,
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127).

PPP LOAN FORGIVENESS

- Up to 100% of the loan plus any accrued interest can be forgiven, if;
- 75% of the loan proceeds are used for qualified payroll costs (only payroll costs for the 8 weeks after the date of the loan can be forgiven);
- Remaining 25% used for any combination of qualified payroll costs plus permitted non-payroll costs during the 8-week period
- Documentation is required to substantiate the expenses and the proportion of payroll costs to other eligible expenses;
- Salaries amounts must be maintained from February 15, 2020 to June 30, 2020;
- The number of full-time, part-time and other eligible employees must be the same on June 30, 2020 as on February 15, 2020.

ECONOMIC INJURY DISASTER LOAN

SBA program with eligibility expanded by the CARES Act for 1/31/2020-12/31/2020

Amount Available	Up to \$2 million
Term/Maturity	30 years
Forgivable	No, except for \$10,000 grant available 3 days after application
Nonprofit Interest Rate	2.75%
Deferral	12 months, interest accrues
Collateral	On loans greater than \$25,000, if available
Guarantees	On loans greater than \$200,000, credit check to qualify
Administrator	SBA
Approved Uses for Funds	Fixed debts, payroll and related benefits**, accounts payable and other expenses that cannot be paid because of the disaster's impact

IMPORTANT

- Application must be correct and complete the first time. If application is incomplete, the applicant can resubmit but goes to the back of the line.
- An applicant under the EIDL must have been in business as of January 31, 2020 as opposed to February 15, 2020 for organizations applying for funds in the PPP.
- The expansion of the EIDL allows business with other sources of credit available to them to apply for the EIDL for purposes of COVID-19 relief funding.
- Organizations can apply for loans under both the PPP and the EIDL but can't receive funding for the same expenses under both. Recommendation: apply for PPP funding for payroll expenses and EIDL for other allowable expenses.

IMMEDIATE ACTION STEPS

Nonprofits

- Contact your banker to see if they are an SBA approved lender.
- Contact your board to see if they bank with an SBA approved lender.
- Locate a bank in your area that is an SBA approved lender because they will receive CRA credits for lending to you.
- Begin Application Process ASAP – funds are limited and first come first served.
- Consider taxable donation deduction education for donors.

ACTION STEPS

Funders

- Understand the needs of potential gift recipients and where the needs are after emergency funding is applied.
- Consider semi-restricted funding.
- Determine whether potential grantee agencies are not able to receive the SBA funding due to exhaustion of funds.
- Consider mid-term and long-term time horizon after funds are expended.

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