

THE CARES ACT: WHAT'S IN IT FOR NONPROFITS

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed by the President in March 2020. The following are key provisions of interest to charitable organizations:

SMALL BUSINESS LOANS FOR BUSINESSES (INCLUDING NONPROFITS)

Small Business Interruption Loans/"Paycheck Protection Program"



- Small businesses with fewer than 500 employees and eligible nonprofit organizations, as well as individuals who are self-employed or are independent contractors, can borrow up to 2.5 times their average monthly payroll costs for the previous twelve months, capped at \$10 million, without the need for collateral or personal guarantees. Businesses with more than 500 employees may be eligible for the loan if they meet the Small Business Administration's size standards for their specific industry.
- Loans may be forgiven if the funds are used for qualified expenses during the eight-week period starting on the date the loan is funded. Qualified expenses include compensation (salary, wages, commission, or similar compensation, cash tips, etc.), payment for vacation, family, medical or sick leave, group health care benefits, employee retirement benefits, state and local payroll taxes, mortgage payments, rent and utilities.
- Qualified compensation is limited for any employee whose annual salary exceeds \$100,000.
- At least 75% of the loan proceeds must be spent on the qualified payroll costs. In addition, the loan forgiveness amounts can be reduced if there is a reduction in either the number of employees or compensation for employees who made less than \$100,000 annual salary during the covered period. Forgiveness of loans will not give rise to cancellation of indebtedness income.

Economic Injury Disaster Loan (EIDL)

- Small businesses, including ESOPs and nonprofits affected by the coronavirus in presidential and SBA-declared disaster areas, can apply for an EIDL for an advance up to \$10,000 and a loan up to \$2,000,000.
- The interest rate is 2.75% for nonprofits and 3.75% for small businesses.
- Loans may be used for accounts payable, fixed debts, payroll, and other bills due to the COVID-19.

EMPLOYEE RETENTION PAYROLL TAX CREDIT

- The CARES Act creates an employee retention credit for qualified employers due to the coronavirus pandemic.
- Eligible employers are allowed a credit against employment taxes equal to 50% of qualified wages (up to \$10,000 in wages) for each employee.
- Eligible employers are those forced to at least partially suspend operations or those who experience a significant decline in gross receipts as a result of COVID-19.

DEFERRAL OF SOCIAL SECURITY TAXES

- Employers may defer their portion of the 6.2% employer share of Social Security taxes through 2021, with the deferred amount payable over the following two years at end of 2021 and 2022.
- The employer share of the Medicare tax may not be similarly deferred.

ECONOMIC STABILIZATION FUND

- Available for mid-sized businesses, including nonprofits, that have between 500 and 10,000 employees.
- Interest rates no higher than 2% and would not accrue interest or require repayments for the first six months.
- Must retain at least 90% of their employment levels as of March 24, 2020 through September 30, 2020.
- Includes limitations on compensation for officers and high-earning employees until the date 12 months after the date of the loan or loan guarantee is no longer outstanding.

GRANTS FROM THE NATIONAL ENDOWMENT FOR THE HUMANITIES

- The National Endowment for the Humanities (NEH) will receive \$75 million in supplemental funding to assist cultural institutions affected by the coronavirus.
- This emergency funding will support at-risk humanities positions and projects at museums, libraries and archives, historic sites, colleges and universities, and other cultural nonprofits.

FOR YOUR INDIVIDUAL DONORS

Charitable Contributions

- The CARES Act allows an above-the-line charitable contribution deduction of up to \$300 for taxpayers who do not itemize deductions on their 2020 tax returns.
- For individuals who do itemize, cash contributions to public charities may be fully deducted (up to 100% of adjusted gross income) without regard to the usual adjusted gross income limitation. Contributions in excess of the taxpayer's adjusted gross income may be carried forward for five years.
- The limitation for deductions of food inventory is increased from 15% to 25% for 2020.

For questions, please reach out to us at nonprofit@windes.com, by phone at **844.4WINDES** (844.494.6337).