

## House and Senate Pass the Coronavirus Aid, Relief, and Economic Security (CARES) Act with Non-Profit Provisions



The House and Senate have passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the President is expected to sign this large stimulus package. The CARES Act provides significant funding for non-profits, businesses, hospitals, schools, and social support programs, among many other things.

### Non-Profit Provisions in the CARES Act:

**Emergency Small Business Loans** (emergency SBA 7(a) loans): Provides funding for special emergency loans of up to \$10 million for eligible nonprofits and small businesses, permitting them to cover costs of payroll, operations, and debt service, and provides that the loans be forgiven in whole or in part under certain circumstances.

- **General Eligibility:** Available to entities that existed on March 1, 2020 and had paid employees.
- **Nonprofit Eligibility:** Available for charitable nonprofits with 500 or fewer employees (counting each individual – full time or part time and not FTEs). The final bill does not include a provision in earlier drafts that would have disqualified nonprofits that are eligible for payments under Title XIX of the Social Security Act (Medicaid).
- **Loan Use:** This, in essence, turns the loan 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 associated costs (including health insurance premiums), facilities costs, and debt service.
- **Loan Forgiveness:** Employers that maintain employment between March 1 and June 30 would be eligible to have their loans forgiven, essentially turning the loan into a grant.

A provision in earlier drafts that would have disqualified nonprofits that are eligible for [Medicaid payments](#) was removed from the bill.

**Economic Injury Disaster Loans (EIDL):** The SBA currently has Economic Injury Disaster Loans (EIDL). The existing program provides loans of up to \$2 million at an interest rate of 2.75 percent for nonprofits. These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The relief bill would change the EIDL to eliminate creditworthiness requirements and eligible nonprofits with 500 employees or fewer are supposed to be able to get checks for \$10,000 within three days.

**Self-Funded Nonprofits and Unemployment:** Only reimburses self-funded nonprofits for half of the costs of benefits provided to their laid-off employees.

**Charitable Giving Incentive:** Includes an above-the-line deduction (universal or non-itemizer deduction that applies to all taxpayers) for total charitable contributions of up to \$300. The incentive applies to contributions made in 2020 and would be claimed on tax forms next year. The bill also lifts the existing cap on annual contributions for those who itemize, raising it from 60 percent of adjusted gross income to 100 percent. For corporations, the bill raises the annual limit from 10 percent to 25 percent. Food donations from corporations would be available to 25 percent, up from the current 15 percent cap.

**Employee Retention Payroll Tax Credit:** Creates a refundable payroll tax credit of up to \$5,000 for each employee on the payroll when certain conditions are met. The entity had to be an ongoing concern at the beginning of 2020 and saw a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. The availability of the credit would continue each quarter until the organization's revenue exceeds 80 percent of the same quarter in 2019. For tax-exempt organizations, the entity's whole operations must be taken into account when determining the decline in revenues. Notably, employers receiving emergency SBA 7(a) loans would not be eligible for these credits.

**Industry Stabilization Fund:** Creates a loan and loan guarantee program for industries like airlines to keep them solvent through the crisis. It sets aside \$425 billion for "eligible business" which is defined as "a United States business that has not otherwise received economic relief in the form of loans or loan guarantees provided under" the legislation. It is expected, but unclear whether charitable nonprofits qualify under that definition for industry stabilization loans. Mid-sized businesses, including nonprofits that have between 500 and 10,000 employees are expressly eligible for loans under this provision. Although there is no loan forgiveness provision in this section, the mid-size business loans would be charged an interest rate of no higher than two percent and would not accrue interest or require repayments for the first six months. Nonprofits accepting the mid-size business loans must retain at least 90 percent of their staff at full compensation.

**Other Significant Provisions:**

**Direct Payments** to adults of \$1,200 or less and \$500 per child (\$3,400 for a family of four) to be sent out in weeks. The amount of the payments phases out based on earnings of between \$75,000 and \$99,000 (\$150,000 / \$198,000 for couples).

**Expanded Unemployment Insurance:** Includes coverage for workers who are furloughed, gig workers, and freelancers. Increases payments by \$600 per week for four months on top of what state unemployment programs pay.

**Amendments to the New Paid Leave Mandates:** Lowers the amounts that employers must pay for paid sick and family leave under the [Families First Coronavirus Response Act\\*](#) (enacted March 19) to the amounts covered by the refundable payroll tax credit – i.e., \$511 per day for employee sick leave or \$200 per day for family leave.

**Other Significant Spending:**

- \$100 billion for grants to hospitals, public entities, not-for-profit entities and Medicare- and Medicaid-enrolled suppliers and institutional providers. Helps cover unreimbursed health care-related expenses or lost revenue as a result of COVID-19.
- Provides \$30 billion for an Education Stabilization Fund for states, school districts and institutions of higher education for costs related to the coronavirus.
- \$6.3 billion overall to the Administration for Children and Families (ACF). This funding will go to a number of human services programs including \$3.5 billion for the Child Care and Development Block Grant to provide immediate assistance to childcare providers.
- \$45 million in grants to states for child welfare services.
- As ACF increases flexibility in services for the most vulnerable, the legislation will help backfill this response by providing \$45 million to family violence prevention and services including for family violence shelters and \$2 million for the National Domestic Violence Hotline. Funding for the most vulnerable will also include \$25 million for immediate assistance to programs providing services and housing for runaway and homeless youth. The Administration for Community Living will also receive

\$955 million to provide resources for aging and disability services programs including senior nutrition, home and community-based supportive services, family caregivers, elder justice and independent living.

- \$1 billion to the Community Services Block Grant to help local community-based organizations that provide a wide range of social services and emergency assistance for those with the highest need.
- \$900 million for the [Low Income Home Energy Assistance Program](#) (LIHEAP) to help families and provide assistance in managing costs associated with home energy bills, energy crises, and weatherization and energy-related minor home repairs.
- Provides an additional \$4.3 billion, through the Centers for Disease Control and Prevention, to support federal, state and local public health agencies to prevent, prepare for, and respond to the coronavirus.
- \$5 billion for Community Development Block Grant (CDBG) program to enable states, counties and cities to respond to economic and housing impacts caused by COVID-19, including the expansion of community health facilities, child care centers, food banks and senior services.
- \$15.5 billion in additional funding for SNAP to ensure all Americans, including seniors and children receive the food they need.
- \$8.8 billion in additional funding for Child Nutrition Programs in order to ensure children receive meals while school is not in session.
- \$45 million for Title IV-B, Subpart 1
- \$45 million for the Family Violence Prevention Services Act (FVPSA) for domestic violence shelters and services
- \$2 million for the domestic violence hotline
- \$25 million for the Runaway and Homeless Youth Program

#### **Legislative Summaries of the CARES Act:**

- A section-by-section for [unemployment insurance and tax policy](#)
- A section-by-section for [appropriations](#)

#### **Questions?**

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