



EXECUTIVE SUMMARY: State and Federal Financial Resources to Aid Nonprofits in Operations During the COVID-19 Crisis

Small Business Administration Economic Injury Disaster loan program for non and for-profit businesses

- The [U.S. Small Business Administration \(SBA\)](#) is working directly with states to provide targeted, low-interest Economic Injury Disaster Loans (EIDLs or working capital loans) to assist private nonprofit organizations severely impacted by COVID-19.
 - Most nonprofits are eligible and can receive up to \$2 million in loans in authorized disaster areas. While the law limits EIDLs to \$2 million for alleviating economic injury caused by the disaster, if an entity is a major source of employment, SBA has the authority to waive the \$2 million statutory limit.
 - The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates.
 - **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.** (Loans cannot be used to refinance long-term debts). The maximum unsecured loan amount is \$25,000; collateral is required for all EIDL loans over \$25,000. The interest rate for nonprofits is 2.75% with terms up to 30 years. Terms are determined on a case-by-case basis.
 - The new economic relief bill stands to eliminate creditworthiness requirements and appropriates an additional \$10 billion to the EIDL program so that eligible nonprofits and other applicants can get checks for \$10,000 within three days. Under the relief bill, nonprofits receiving emergency SBA 7(a) loans are not also eligible for payroll tax credits (see stimulus package section under Federal below).
 - **Call the SBA hotline at 1-800-659-2955 (TTY: 1-800-877-8339) to determine eligibility before applying** and then [complete your loan application](#) by December 21, 2020.
 - **NOTE** - the approval process may be lengthy, and the application can be time-consuming. Additionally:
 - Internet Explorer is the recommended browser for the application
 - Be sure to pick the correct disaster type: (Economic Injury) and actual disaster (COVID-19)
 - The SBA recommends applying between 7pm-7am, when the website's traffic is lower



Payroll tax relief available to non and for-profit businesses for paid sick leave and expanded leave under the FMLA

- The final version of the [Families First Coronavirus Response Act](#) (H.R. 6201) was signed into law on March 18, goes into effect on April 2, and runs through December 31, 2020. The law focuses on paid sick leave, expanded FMLA, and employer reimbursement provisions, as well as food nutrition security, unemployment extension, and funding for free coronavirus testing. See bullet points below for a broad overview, and these very helpful 2-page summaries from [Independent Sector](#), the [National Council of Nonprofits](#), and [PANO](#) on the provisions in the Act relevant to nonprofits, as well as [key provisions](#) as highlighted in a short article in the National Law Review.
 - The Act applies to the private sector, including nonprofits and governmental entities employing fewer than 500 employees. However, the Labor Department has the power to exclude employers with fewer than 50 employees if providing leave would put them out of business. Most nonprofit employees qualify as long as they've been employed at least 30 days. Employers of health care providers or emergency responders may elect to exclude such employees from eligibility for the leave provided under the Act.
 - The Labor Department must issue guidelines by April 2 to assist employers in calculating how much paid leave their employees should get. After that, employees should be able to notify their employer, take the leave and get the amount specified by the law.
 - **Emergency paid sick leave:** Full-time employees of employers with fewer than 500 employees that are unable to work due to COVID-19 are eligible for 80 hours of emergency paid sick leave. Part-time employees are eligible to receive the equivalent of the number of hours they would work, on average, during a two-week period.
 - **Expanded FMLA:** The law expands the FMLA definition of employer to all employers with fewer than 500 employees and expands the definition of a covered employee to include all employees who have worked for covered employers for at least 30 days. This means more employees will be eligible for up to 12 weeks of unpaid leave.
 - **Reimbursable payroll tax credits:** All types of employers with 500 or fewer employees are able to recoup the costs of these paid leave mandates, including nonprofits – a significant development. They will be reimbursed for the full amount within 3 months in the form of a payroll tax credit. (The Trump administration [has said](#) it will advance the money earlier for employers that can't wait that long). The reimbursement will also cover the employer's contribution to health insurance premiums during the leave. It's [fully refundable](#), which means that if the amount that employers pay workers who take leave is larger than what they owe in taxes, the government will send them a check for the remainder.
 - The bill allocates \$1 billion to provide nutritious foods to low-income pregnant women and mothers with young children, help food banks, and provide meals to seniors. **It also protects students' access to school meals in the event of school closures.** These provisions benefit specific organizations as well as a broader cross-section of nonprofit constituents.

- The USDA intends to use all available program flexibilities and contingencies to serve program participants across 15 nutrition programs, and have begun to issue waivers to ease program operations and protect the health of participants. [See here](#) for the waivers and other information relating to child nutrition programs, WIC, and SNAP and the Act.
- Other major provisions relate to emergency grants to states for processing and paying unemployment insurance benefits, and free testing for all Americans for COVID-19, regardless of insurance status or ability to pay.
- **The U.S. Department of Labor has published their [initial guidance on the Act](#)** for employees (who is eligible, how to calculate pay, duration of leave, and more), employers (who is covered, qualifying reasons for leave, tax credits, and more), as well as FAQs.

Federal relief available to nonprofits and small businesses under the economic stimulus package

As of Thursday, March 26, the Senate has passed a \$2 trillion relief and economic stimulus package, known as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The House is expected to vote on Friday, March 27 and the President hasn't yet signed the bill, so it's not law but is expected to be within days. There are no federal rules, regulations, guidelines, or application forms yet for most of the CARES Act, and some of the programs will require states to take certain actions. So, new information is coming out hour by hour, but see bullet points below for a broad overview of several provisions aimed at supporting nonprofits and boosting charitable giving, and these very helpful summaries from the [National Council of Nonprofits](#) and [The Chronicle of Philanthropy](#) on provisions in the CARES Act relevant to nonprofits.

- **Support for small to mid-size nonprofits** - Nonprofits with 500 or fewer employees (counting all full-time and part-time employees equally) will be eligible for Small Business Administration loans of up to \$10 million.
 - Nonprofits are also eligible for expedited loans of up to \$1 million, to be used for payroll, including paid leave, as well as health-insurance premiums, facilities costs, and debt service. Treasury Secretary Steven Mnuchin said these loans will become available within a week.
 - Nonprofits that keep their employees on the payroll from February 15 to June 30 could have their loans forgiven, turning the loan into a grant.
 - Under a previous version of the legislation, nonprofits couldn't access these loans if they were eligible for Medicaid payments. That limitation was removed from the final version of the bill.
- **Support for mid-size to large nonprofits** - The bill calls for the creation of a loan and loan guarantee program via a new Industry Stabilization Fund specifically targeting mid-size organizations, defined as having between 500 and 10,000 employees.
 - This provision, unlike the emergency SBA loan program, does not provide loan forgiveness, but does mandate an interest rate of no higher than 2% and would not accrue interest or require repayments for the first six months.



- Nonprofits accepting the mid-size business loans must retain or rehire at least 90% of their staff at full compensation.
- **Support for nonprofits of any size** - The bill creates a refundable payroll tax credit of up to \$5,000 for each employee on the payroll. To be eligible, a nonprofit must have experienced a drop in revenue of at least 50 percent in the first quarter of 2020 compared with the first quarter of 2019. The credit is available each quarter until the nonprofit's revenue exceeds 80 percent of the same quarter in 2019. Nonprofits receiving emergency SBA loans are not eligible for these credits.
 - The bill appropriates an additional \$10 billion to another SBA program, Economic Injury Disaster Loans, and waives a creditworthiness requirement for all applicants, including nonprofits. Those eligible will be able to get checks for \$10,000 within three days.
 - Nonprofits that self-fund unemployment benefits could get reimbursed for up to half the costs of benefits provided to their laid-off employees.
- **Charitable giving incentive** - Includes a new 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.