COVID-19 Federal CARES Act Guidance
Brought to you by Nonprofits First and the Nonprofit Chamber of Palm Beach County

March 31, 2020 Version

Disclaimer: The guidance below is gathered from a number of sources, and we continue to do our best to ensure the information is accurate as of the date above. However, this is a rapidly emerging situation, and as always, you should consult your attorney and tax professional prior to making decisions that impact your organization. We will update this guidance as new information becomes available. Visit www.NonprofitsFirst.org/page/Covid19Resources for the latest information and resources.

On March 27, 2020, the President signed the bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. There are several provisions which apply to nonprofit organizations. We have identified important ones below:

**LOANS:**
The CARES Act includes a provision for forgivable loans which is extended to 501(c)(3) tax exempt organizations. All other 501(c) organizations, with the exception of 501(c)19 (veterans’ organizations), are not identified as eligible under the wording of the CARES Act. The goal of the loan program is to establish forgivable loans that enable qualifying businesses and nonprofits to continue to make payroll and pay benefits, mortgage (and some other debt) interest, rent, and utilities in an 8-week period prior to June 30, 2020. Religious-based 501(c)(3) organizations are eligible for the loans.

Section 1102, the Paycheck Protection Program of the Act, revises loans available under 7(a) of the Small Business Act (a pre-existing lending program through the Small Business Administration and many established lenders) to enable loans to eligible nonprofits of up to 2.5 times the average* monthly payroll costs of the organization.

Forgiveness: The loans are forgivable (turning the loan into a grant) for an amount up to 100% of the loan total provided that the loan amount was spent during an 8-week period following the origination date of the loan on payroll costs, payment of interest on any mortgage (and some other debt) incurred prior to February 15, 2020, payment of rent on any lease in force prior to February 15, 2020, and payment on any utility for which service began before February 15, 2020. There are caveats to the forgiveness rule- be sure to thoroughly review and understand them. Any amount not eligible for forgiveness remains a long term loan with interest capped at 4%.

To obtain a loan, you can work with any lender which already processes SBA 7(a) loans. You may wish to work with your current financial institution - most major financial institutions are able to make SBA 7(a) loans. It may be a few days before local branches have guidance from the government and their internal lending departments on the application and processing of new loans. The U.S. Treasury Department expects the application to be available by April 3, 2020, with loans available retroactive from Feb. 15, 2020.

**CHARITABLE GIVING INCENTIVES:**
The CARES Act provides an above-the-line deduction (universal deduction that applies to all taxpayers) for total charitable contributions of up to $300. The incentive applies to cash contributions made in 2020 and can be claimed in 2021 for the 2020 tax year. It also lifts the cap on deductibility of contributions for those who itemize, raising the cap to 100% of adjusted gross income. These deductions apply to donations made from the one-time stimulus payments made to each taxpayer; organizations may wish to reference the $300 above-the-line deduction in appeals to their donors timed to co-occur with the stimulus payments.

**OTHER PROVISIONS:**
Organizations which do not take a Payroll Protection Loan may be eligible for an Employee Retention Payroll Tax Credit of up to $5,000 for each employee on the payroll when certain conditions are met. To receive the credit, the organization had to be a going concern at the beginning of 2020, experienced a whole or partial shutdown, and see a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. Employers may be eligible to delay payment of the employer portion of payroll taxes in 2020.

*based on the 1-year period immediately prior to the loan