



Walters & Sklyar LLP

CARES Act: Nonprofits

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act. The 2.2 trillion stimulus measure is the largest federal response in history aimed at providing much-needed relief to the American people and businesses in response to the coronavirus (COVID-19) outbreak.

Here are the areas of particular help to the tax-exempt sector:

Paycheck Protection Program Loans (emergency SBA 7(a) loans):

Organizations classified as 501(c)(3)s with a total number of employees of 500 or less are eligible to apply for emergency Small Business Administration loans. Organizations can apply for up to \$10M or 2.5X average monthly payroll from 2019, whichever is less. These loans can be used for payroll, mortgage, rent, and health insurance, among other costs. Employers that maintain employment for the eight weeks after the origination of the loan, or rehire employees by June 30, would be eligible to have their loans forgiven, essentially turning the loan into a grant

Economic Injury Disaster Loans (EIDL):

The CARES act Creates emergency grants for eligible nonprofits and other applicants with 500 or fewer employees, enabling them to receive checks for \$10,000 within three days.

Charitable Giving Incentives:

1. Universal Charitable Deduction

The CARES Act includes a temporary universal charitable deduction, which will allow all taxpayers, even those who do not currently itemize their deductions, to claim a charitable deduction for cash donations up to \$300 through December 31. Donations to donor advised funds and supporting organizations are not eligible for this deduction.

2. Adjusted Gross Income Limitation

The CARES Act lifted adjusted gross income limits on charitable deductions for cash gifts made by individuals and corporations. The existing cap on annual contributions for individual taxpayers who itemize has been increased from 60% to 100% of adjusted gross income. The cap for corporations has been increased from 10% to 25%. For food donations, the corporate cap has been increased from 15% to 25%.

Deferral of Employer Payroll Taxes:

Employers can delay the payment of employer portion of payroll taxes for the 2020 tax year. 50% of employer payroll taxes are due by December 31, 2021. The remaining 50% of the employer's portion of the 2020 payroll tax is due December 31, 2022. *The delay does not apply to organizations receiving loan forgiveness for an emergency Small Business Administration loan.*

Employee Retention Payroll Tax Credit:

The CARES Act provides for a refundable payroll tax credit up to a \$5,000 per employee for nonprofits where operations were fully or partially suspended due to a COVID-19 shutdown order, or whose gross receipts declined by more than 50% when compared to the same quarter in the prior year. Nonprofits managers must consider the entity's whole operations when determining the decline in revenue. This credit is available for wages paid or incurred from March 13, 2020 through December 31, 2020. *Nonprofits participating in the Paycheck Protection Loan Program are not eligible for this credit.*

Unemployment Benefits:

The CARES Act includes a specific section allowing self-funded nonprofits to be reimbursed for half of the costs incurred through the end of 2020 to pay unemployment benefits, including self-funded unemployment benefits.

Additional Benefits

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.

Significant Spending: The law also calls for large infusions of cash to the following sectors:

- \$150 billion for a state, tribal, and local Coronavirus Relief fund
- \$130 billion for hospitals
- \$30 billion for education
- \$25 billion for transit systems

Please reach out to us with any accounting, tax, and/or business questions you might have. We are here to support and assist you and your organization with the countless challenges that you are facing in responding to the coronavirus outbreak.