The CARES Act and Relief for Non-Profit Organizations

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The massive $2.2 trillion stimulus package is intended to provide swift relief to individuals and organizations alike, in the midst of the global Covid-19 pandemic.

In particular, ministry leaders should be aware of these provisions…

1. The Paycheck Protection Program

- Funded through local lenders via the Small Business Administration
- Available to employers with 500 or fewer employees
- Loans of up to 2.5 times the average monthly payroll for last 12 months (subject to adjustments for seasonal staff and staff with annual pay above $100,000)
- Deferred interest and principal payments for 6 to 12 months
- Low interest rate
- Loan may be fully forgiven, if used during the eight weeks after loan origination for:
  - Salaries, wages and benefits (including retirement)
  - Rent
  - Utilities
  - Mortgage payments
  - Payments on loan obligations that originated prior to Feb 15, 2020
- Unsecured and no personal guarantees required
- Simple 2-page application, with certification that:
  - Loan request is necessary due to uncertain economic conditions
  - Funds will be used to retain workers and maintain payroll
  - Recipient does not have an application pending and has not received funding under this program

2. Disaster Loan Program

- Funded through the Small Business Administration Economic Injury Disaster Loan (EIDL) program
- Provides a $10,000 advance; available even if the borrower is denied EIDL loan
- Available to businesses with 500 or fewer employees

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- Provides working capital loans to help businesses meet their ordinary and necessary financial obligations that cannot be met as a result of the disaster
- Available in declared disaster areas, which now includes all 50 states
- EIDL loans may be in an amount up to $2 million
- Non-profit interest rate of 2.75%
- 30-year repayment term
- Can be used to pay fixed debts, payroll and accounts payable
- Cannot be used to pay same items Paycheck Protection Program Loan is used for during the 8-week period
- Cannot be used to refinance long-term debt
- EIDL loans are not forgivable
- Find application here: https://www.sba.gov/disaster-assistance/coronavirus-covid-19#section-header-3

3. **Employee Retention Credit for Employers Subject to Closure Due to Covid-19**

- Eligible employers may take a credit of up to 50% of qualified wages (up to $10,000) against employment taxes
- Available for each calendar quarter
- Eligible employers include those who were partially or fully suspended during the calendar quarter due to orders from an appropriate government authority
- Exempt organizations only need to demonstrate that their operations were partially or fully suspended due to governmental orders
- Credit applies to wages paid after March 12, 2020 and before January 1, 2021 for any quarter when suspended operations occurred

4. **Delay of Employer Payroll Taxes**

- Subject to certain limited exceptions, including forgiveness of a paycheck protection loan
- Payroll taxes (FICA) attributed to wages paid in 2020 may be deferred for two fiscal years
- 50% due by December 31, 2021
- 50% due by December 31, 2022

*Consult with your local bank, CPA and tax professionals for further details on each of these provisions.*

**Sources:**

- Small Business Administration (sba.gov/disaster-assistance/coronavirus-covid-19)
- National Council of Nonprofits (councilofnonprofits.org)