

A NONPROFIT'S GUIDE TO THE CARES ACT

April 1, 2020

You've likely seen the news about the new federal stimulus package - the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (S. 748) - but may still be asking yourself, what does it mean for my organization?

Designed to provide relief to businesses, hospitals, schools, social service providers and individuals etc., this bill can act as a lifeline for nonprofits, not only to survive this moment in time, but to continue to scale much-needed services during an unprecedented moment in history.

For us, the message is clear: as this crisis unfolds, it is essential that nonprofits develop well-defined, actionable plans that plug into these benefits.

So, what can your organization do?

Learn, plan and execute: with execution being key.

At a time of crisis and with new information emerging every day, it is easy to become distracted. Remaining focused on your mission, tapping into the resources available to you, infusing creativity in your communications, donor engagement and fundraising strategies will be essential to your success – during this time of crisis and when we all come out of this, together.


With this in mind, we have compiled an easy-to-follow guide for the ways in which nonprofits can utilize the benefits available in the CARES Act.

KEY TAKEAWAYS


As we see it, the key takeaways from this bill for the nonprofit sector are comprehensive and far-reaching but may be difficult to navigate.

In order to provide some clarity on next steps, we have grouped these new provisions into two main categories:

- 1) How the CARES Act provides support for both your donors and supporters; and
- 2) How it provides operational support for your organization.

 **Benefits for Donors:** Through the universal deduction and by raising the limitation on charitable deductions, this bill provides incentives for all donors regardless of their income by implementing a universal charitable deduction for the calendar year 2020 – capped at \$300 – open to all taxpayers. It further incentivizes wealthier taxpayers and corporations to increase their giving at this time of enormous need by increasing the cap from 60% of adjusted gross income to 100%. For corporations the cap will be raised from 10 percent of taxable income to 25 percent of taxable income. These incentives offer nonprofits the opportunity to instill in donors a sense of personal responsibility for mission amidst the crisis. By taking a donor-centric approach to communications and engagement throughout – one based in transparency, clarity, gratitude and continuity – you can effectively reaffirm your mission, motivate donors and empathize with your community.

Beyond tax benefits, millions of Americans will receive stimulus payments. For many Americans, this support will be essential to their own personal livelihood. But for some, this might be discretionary funds that could support a good cause, potentially your cause.

 **Operational Support for Nonprofits:** Through the Small Business Loan Forgiveness Program, the Emergency Economic Injury Grants and Deferral of Employer Payroll Taxes, this bill makes it easier for nonprofits to operate, keep staff and respond to their constituents' needs. Specifically, loans will be provided via existing Small Business Administration (SBA) lenders and other lenders approved by the SBA. Nonprofits may apply at any lending institution that is approved to participate in the program through the existing SBA 7(a) lending program and additional lenders approved by SBA and the Department of Treasury. Nonprofits do not need to visit any government institution to apply for the program. For information on finding SBA-approved lenders, visit SBA's [online Lender Match tool](#), your local [Small Business Development Center](#), or local [Women's Business Center](#). You can also find more information and apply for Economic Injury Disaster Loans [here](#). Applications for EIDL loans can be made through the end of 2020.

By viewing the benefits of the CARES Act through these two broad categories, we believe you will be able to navigate the next steps your organization is eligible to take. As the sector begins to reckon with this bill and all that it offers businesses and nonprofits, it's crucial to stay up to date with the constantly evolving lessons learned from industry leaders in the coming weeks and months ahead.

It is for this reason that Changing Our World and ONE HUNDRED have established a new series, **FORGING FORWARD**, in which we speak with industry leaders each week, offering frank and actionable insights into how COVID-19 is impacting philanthropy, healthcare, the global economy, and the realm of corporate social responsibility— and what we can collectively do about it.

FREQUENTLY ASKED QUESTIONS

For more information on the CARES ACT, below provides a detailed FAQ of the CARES Act Implications:



How does the stimulus bill affect donors?

- For individuals who do not itemize their taxes, the stimulus bill will allow the ability to deduct up to \$300 in cash giving for the 2020 tax year, according to an analysis of the legislation by the [National Council of Nonprofits](#). Prior to the bill, only people who itemized their taxes could claim charitable deductions.
- For individuals who itemize their taxes, the stimulus bill lifts the cap on annual giving from 60 percent of adjusted gross income to 100 percent. See the universal deduction analysis from the [Non Profit Times](#).
- For corporate donors, this bill raises the annual limit for corporate charitable giving from 10 percent to 25 percent of taxable income.
- Donor-Advised Fund donors do not qualify for the nonitemizer deduction. This from the [Chronicle of Philanthropy](#) analysis.



How will this bill help our ability to continue operating given a decrease in revenue?

Smaller Organizations

- Nonprofits with 500 or fewer employees (all full-time and part-time employees) will be eligible for Small Business Administration (SBA) loans of up to \$10 million.
- According to [NPQ](#), these loans are forgivable if the nonprofit keeps staff on the payroll, continues offering staff paid leave and health insurance premiums and continues to cover facilities costs, and debt service between March 1 and June 30. **This means that this loan essentially becomes a general operating support grant. These forgivable loans can be used to meet payroll and associated costs (including health insurance premiums), facilities costs, and debt service.**

Larger Organizations

- Nonprofits with 500-10,000 employees could potentially benefit from a loan guarantee program created for mid-size businesses and nonprofits, whereby eligible organizations could receive loans that 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.
- According to [Inside Charity](#), one important criterion is that nonprofits accepting the mid-size business loans must retain (or rehire) at least 90 percent of their staff at full compensation.



What does this mean for the nonprofit sector more broadly?

- Individuals (including nonprofit employees) may be eligible for stimulus payments. All U.S. residents who have a social security number with an adjusted gross income of up to \$75,000 (or combined income of \$150,000 for married couples) will get a \$1,200 (\$2,400 for couples) “rebate” payment via the IRS. Those eligible may also qualify for an additional \$500 per child. For more on this, consult the [NYTimes FAQ on stimulus checks and unemployment benefits](#).
- The stimulus act appropriates an additional \$10 billion to another existing Small Business Administration program, called the Economic Injury Disaster Loans (EIDL) program.
 - Prior to the stimulus bill, the program provided 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 as a result of the crisis.
 - The new stimulus bill waives the creditworthiness requirement for all applicants to this program, including nonprofits. Those eligible will be able to get checks for \$10,000 within three days. [\[1\]](#)
- 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. However, Nonprofits receiving emergency SBA loans are not eligible for these credits. [\[3\]](#)
- According to the [Nonprofit Alliance](#), employers may delay the payment of payroll taxes for calendar year 2020, with 50 percent of the employer payroll taxes due December 31, 2021.
 - The remaining 50 percent of the employer’s portion for 2020 payroll taxes will be due December 31, 2022.
 - An important note, however, is that this delay in employer payroll tax payment is not open to organizations that have received loan forgiveness through a Small Business Administration-approved (SBA) loan.

SOURCES

- [1]: Universal Deduction, Nonprofit Loans, Grants In Stimulus, [National Council on Nonprofits](#), March 27, 2020.
- [2]: Universal Deduction, Nonprofit Loans, Grants In Stimulus, [NonProfit Times](#), March 27, 2020
- [3]: Trump Signs Stimulus Bill Providing Nonprofit Loans, Grants, and 'Universal Deduction' [The Chronical of Philanthropy](#), March 26, 2020.
- [4]: How Nonprofits Can Utilize the New Federal Laws Dealing with COVID-19, [Nonprofit Quarterly](#), March 26, 2020
- [5]: F.A.Q. on Stimulus Checks, Unemployment and the Coronavirus Plan, [NYTimes](#), March 28, 2020
- [6]: Federal CARES Act for Nonprofits – Pandemic Stimulus, [Inside Charity](#), March 28, 2020
- [7]: Key CARES Act Provisions, [The Nonprofit Alliance](#), March 30,2020