



Jones, Nale & Mattingly PLC

From your JNM Not-for-Profit Team

In these uncertain and challenging times, JNM is here to offer advice and assistance navigating your business through the various series of news laws and guidance that has been finalized by the Federal Government over the past 2 weeks. The following is a detailed description of the various aspects of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that we believe will be most helpful. We encourage our clients to carefully review the various aspects of the CARES Act. JNM has developed various tools to advise and assist you with navigating this new law.

The CARES Act – Not-for-Profit Assistance

Paycheck Protection Loans (Section 1102): \$350 billion in loans under Section 7 of the Small Business Act for special emergency loans to small businesses and nonprofits, limited to 501(c)3 organizations, aimed to help cover costs of payroll, operations, and debt service.

- Available for entities with 500 or fewer employees
- Covered period from February 15 to June 30, 2020
- Loans limited to the lesser of 10 weeks of payroll costs or \$10 million
- Proceeds can be used to cover payroll, mortgage payments, rent, utilities, and any other debt obligations
- Loans cannot exceed 10 year and interest rates cannot exceed 4%

Paycheck protection loans can be forgiven on a tax-free basis, turning them into government grants. Amounts eligible during the 8-week period beginning on the date of the loan include the sum of payroll costs, mortgage interest, rent, and utility payments. Forgiveness eligibility is reduced if the employer reduces its workforce in the 8-week covered period, comparing the total number of employees during the period compared to the measurement period or if total payroll costs are reduced by more than 25% during the period.

Economic Injury Disaster Loans (EIDL) (Section 1110): Eliminates creditworthiness requirements and appropriates an additional \$10 billion to the EIDL program so that eligible nonprofits (private nonprofits, undefined by the CARES Act, clarity to follow) and other applicants that have applied for the Paycheck Protection Loans can get checks for up to \$10,000 within three days.

Self-Funded Unemployment (Section 2103): Reimburses self-funded nonprofits for half of the costs of benefits provided to their laid-off employees.

Above the Line Deduction for Charitable Contributions (Section 2203): For 2020 only, provides up to \$300 of cash contributions to charitable organizations can be deducted above-the-line, before the adjusted gross income total for individuals, regardless of whether the taxpayer itemizes. This should incentivize taxpayers to make more charitable contributions.

Modification of Limitations on Charitable Contributions (Section 2205): For 2020 only, increases the limitation for charitable contributions by individuals who itemize. The 50 percent of income limitation is suspended for 2020. For corporations, the 10 percent limitation is increased to 25 percent. The limitation on deduction for contributions of food inventory is also creased from 15 percent to 25 percent.

Employee Retention Payroll Tax Credit (Section 2301): Establishes a refundable payroll tax credit of up to \$5,000 for each employee on the payroll when certain conditions are met. The entity had to have seen a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. The availability of the credit would continue each quarter until the organization's revenue exceeds 80 percent of the same quarter in 2019. For exempt organizations, the entities whole operations must be taken into account when determining the decline in revenues. Employers receiving emergency SBA loans Section 1102 noted above would not be eligible for these credits.

Delay of Employer Payroll Taxes (Section 2302): Allows for the employer portion of 2020 social security taxes to be paid over the following two years. Half must be paid by December 2021 and the remaining half must be paid by December 2022. This section is not applicable for entities utilizing the loan forgiveness provision of section 1106.

Emergency Relief and Taxpayer Protection (Section 4003): Initiates a loan and loan guarantee program to keep businesses solvent through the crisis. Sets aside \$425 billion for eligible business defined as a business that has not otherwise received economic relief in the form of loans or loan guarantees, not to exceed 5 years. Mid-size businesses, including nonprofits, with between 500 and 10,000 employees are eligible for loans. Although there is no loan forgiveness provision, the mid-size business loans would be charged an interest rate no higher than two percent and would not accrue interest or require repayments for the first six months. This loan program would require mid-size businesses to retain a least 90 percent of their staff at full compensation.