The Coronavirus Aid, Relief, and Economic Security (CARES) Act is the third federal relief bill aimed at stimulating the American economy in response to the COVID-19 pandemic.

A principal component of the $2 trillion economic relief package authorizes federal agencies to provide funding through loans and grants to aid small businesses affected by the coronavirus public health emergency.
CARES ACT
Impact on AEO’s Nonprofit Members

• Payroll Protection Program (PPP)
• Economic Injury Disaster Loans
• Newly Implemented Mid-Size Loan Program
• Payroll Tax Provisions
• Employee Retention Credit
Payroll Protection Program (PPP) Provisions for 501(c) Members

The PPP is a cornerstone of the small business relief package and has $349 billion set aside to fund it. Among others, this program allows businesses to borrow money, payroll, and certain operational expenses.

• 501(c) status members (non-profit veterans and tribal organizations) with fewer than 500 employees (including the self-employed) are automatically eligible.

• Members must have been in operation on or before February 15, 2020 with paid employees and/or paid independent contractors is limited.

• Total payroll cost for an employee is limited to $100,000 (includes wages + salary).

• Loan terms include a 0.5% interest rate; the first 6 months of payments (principal and interest) automatically deferred. Maximum term of 2 years.
Payroll Protection Program (PPP) Provisions for 501(c) Members

The PPP is a cornerstone of the small business relief package and has $349 billion set aside to fund it. This program allows businesses to borrow money, payroll, and certain operational expenses.

• Members are eligible for loan forgiveness if they maintain employment for the 8 weeks after the start of the loan or rehire employees by June 30. The loans will be forgiven in whole or part.
• Loans caps are limited to the lesser of $10 million or 2.5 multiplied by average total monthly payroll costs in 2019.

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\text{Average Total Monthly Payments for Payroll Costs in 2019} \times 2.5 = \text{Loan Amount}
\]
Economic Injury Disaster Loans Provisions for 501(c) Members

The CARES Act expands the existing Economic Injury Disaster Loan (EIDL) program within the Small Business Administration (SBA) by providing looser credit standards for borrowers in addition to creating a rapid grant procedure.

• Highlight: 501(c) status members are eligible to apply for emergency funding. This funding will advance $10,000 to small businesses within 3 days of the loan application. Even if the loan is denied, the advance does not need to be repaid.

• EIDL loans are available up to $2 million.

• Eligibility applies to private nonprofit members excluding religious institutions and some other charitable other organizations (nursing homes, food kitchens, educational facilities, senior citizen centers, daycare centers, playhouses, and shelters, among others).

• EIDL Loans are based on credit scores.
Economic Injury Disaster Loans Provisions for 501(c) Members

The CARES Act expands the existing Economic Injury Disaster Loan (EIDL) program within the Small Business Administration (SBA) by providing looser credit standards for borrowers in addition to creating a rapid grant procedure.

- Operational costs include paid sick leave, meeting payroll, increased costs due to disrupted supply chain, mortgage, and debt service.
- Payments on EIDL loans are deferred up to one year.
- The standard interest rates for nonprofit EIDL loans are 2.75%.
- The Small Business Administration (SBA) must process all EIDL loans.
Mid-Size Loan Program Provisions for 501(c) Members

The CARES Act authorizes the Department of Treasury to create the Mid-Size Loan Program to fill the gap between the Paycheck Protection Program for medium-sized organizations between 500 and 10,000 employees. This program aims to assist larger organizations retain their workforces.

• 501(c) status members must use the funds to retain at least 90% of the recipient’s workforce, at full compensation and benefits, until Sept. 30, 2020.

• Organizations must restore 90% of the workforce of employees that existed before the crises along with restoring compensation and benefits to the employees no later than four months following the end of the coronavirus health emergency.

• Banks and business lenders are authorized process funding for mid-size loans.

• The Treasury Department has yet to announce further guidance and details about the program’s implementation.
Payroll Tax Provisions for 501(c) Members

• The CARES Act authorizes the delay in payment of the employer's share of payroll taxes from March 27, 2020, through the end of 2020. Half of the delayed amount will be due December 31, 2021 followed by the other half due December 31, 2022.

• Nonprofit members that participate in the Paycheck Protection Program (PPP) are not eligible for the Payroll Tax Provisions.
Employee Retention Credit Provisions for 501(c) Members

The CARES Act includes an Employee Retention Credit, a program designed to encourage businesses to keep employees on their payroll, despite experiencing economic hardship related to COVID-19.

- 501(c) status members are eligible if they are shutdown or experience a 50% drop in gross receipts in the first quarter of 2020 compared to the first quarter of 2019 (self-employed individuals are not eligible).

- Shutdown must apply to all aspects of nonprofit organizations.

- Refundable tax credit for 50% of the wages paid by the small business, up to $10,000 per employee (includes health plan expenses).
Employee Retention Credit Provisions for 501(c) Members

The CARES Act includes an Employee Retention Credit, a program designed to encourage businesses to keep employees on their payroll, despite experiencing economic hardship related to COVID-19.

• Eligible nonprofit members may claim the Employee Retention Credit for qualified wages paid after March 12, 2020, and before January 1, 2021.

• Nonprofit members are eligible to receive both tax credits for the qualified leave wages under the FFCRA and the Employee Retention Credit under the CARES Act but not for the same wages.

• Nonprofit members that participate in the Paycheck Protection Program (PPP) are not eligible for the Employee Retention Credit program.
Q&A
Contact

Please contact the Advocacy Team for additional guidance

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