

COVID-19 Relief for Non-Profits

Frequently Asked Questions (FAQs)

PAYCHECK PROTECTION PROGRAM LOAN (PPP)

1. What is the covered period of the loan?

Loans are intended to cover expenses incurred during the period from February 15, 2020 to June 30, 2020.

2. How much can each organization apply for?

The maximum loan amount is 2.5 times the average total monthly Payroll Costs incurred in the calendar year 2019 or \$10 million, whichever is smaller.

Nonprofits that were not in existence during the period from February 15, 2019 to June 30, 2019 can apply for 2.5 times the average total monthly payroll payments from January 1, 2020 to February 29, 2020 or \$10 million, whichever is smaller.

3. What is included in Payroll Costs?

Payroll Costs includes compensation to employees, such as salary, wages, etc.; paid vacation, parental, family, medical or sick leave, severance payments; payment for group health benefits, including insurance premiums; retirement benefits; state and local taxes in an amount not more than \$100,000 a year.

4. What is explicitly excluded from Payroll Costs?

Payroll costs excludes the compensation of an individual employee in excess of an annual salary of \$100,000. Compensation to employees whose principal place of residence is outside of the U.S. is excluded. In addition, federal payroll taxes and withholding on federal income taxes are also excluded.

5. What can the loan be used for?

The loans can be used for operational costs, including payroll, health benefits, paid sick or medical leave, insurance premiums; mortgage and rent payments; utilities; and interest on debt incurred before the covered period. At least 75% of the loan amount must be used for payroll costs.

6. When do the loans have to be repaid?

The loans must be repaid in two years from the loan origination date, i.e., when loan proceeds were made available. There will be an automatic deferment of payments for a period of 6 months from the loan origination date. However, interest will continue to accrue over this period. There are no prepayment penalties.



7. How do I seek forgiveness for the loan?

Up to 100% of the loan amount may be forgiven. Borrowers may seek forgiveness for the loan after loan proceeds have been spent on one of the allowable purposes. Only the amounts spent on an allowed purpose during the 8 weeks after loan origination will be forgiven, and any remaining balance of the loan must be repaid according to the loan terms.

However, the amount of loan proceeds eligible for forgiveness will decrease if the average number of people employed by the business per month decreases after accepting the loan or if the salary or wages to an employee are reduced by more than 25%, even if the proceeds were used for an allowable purpose.

Additionally, no more than 25% of the forgiven amount may be used for purposes other than payroll.

Loan forgiveness will be subject to verification of proper documentation, as determined by the SBA standards.

8. Are C4 designated organizations eligible to apply for the PPP Loan?

No. C4 organizations are not eligible to participate in the PPP Loan program. As of now only C3 and C19 nonprofit organizations are eligible to apply for PPP Loans.

9. Should independent contractor payments be included in the average monthly payroll calculation?

No. 1099 salaries and wages should not be included in the average monthly payroll calculation.

10. If an organization is able to retain all current employees, are they still eligible to apply for the PPP loan?

Yes.

11. Can an organization apply if their primary funding source is the federal government?

Yes. We are not aware of any eligibility restrictions based on the organization's funding sources.

12. What is the maximum amount that can be borrowed?

The loan maximum per organization is subject to a \$10 million cap.

13. Can an organization apply for PPP and EIDL?

Yes. The organization has to maintain records to show the funds were not spent on the same expenses. For example, if PPP is used for payroll for April 2019, EIDL funds cannot be used to cover payroll for the same time period.

14. Is the financial health of the organization taken into consideration? Will organizations with healthy balance sheets be denied?

PPP loans are not traditionally underwritten. The eligibility requirements are around age of operation (in business on February 15, 2020) and not based on organization financial status.



15. We are microlender and were just notified that we are not eligible to apply for PPP because we are a lending institution.

AEO believes the disqualification of microlenders applying for a PPP loan stems from a clause that governs the broader 7(a) program where the PPP is housed. AEO is working on an amendment to allow microlenders to apply for the PPP as part of an additional funding package for the PPP program.

ECONOMIC INJURY DISASTER LOANS (EIDL)

1. What is an Economic Injury Disaster Loan?

The SBA's Economic Injury Disaster Loan (EIDL) program provides private and public nonprofit organizations and small businesses with working capital loans of up to \$2 million to help overcome the temporary loss of revenue due to Covid-19.

2. Who is eligible for an EIDL?

Under the CARES Act, an EIDL is available to any small business or business with 500 or fewer employees that experiences an economic hardship as a result of COVID-19. This includes sole proprietors, independent contractors, tribal businesses, cooperatives, and private and public nonprofit entities.

3. How much can a business receive from an EIDL?

Eligible organizations can receive up to \$2 million in EIDLs, based on their working capital needs. The CARES Act includes a provision allowing borrowers to receive an advance of up to \$10,000 (the EIDL grant) within three business days of applying for an EIDL; this grant amount is 100% forgivable.

4. Where do I go to apply for an EIDL?

EIDL applications are submitted through the SBA website: [Apply Here](#).

5. Is any portion of an EIDL forgiven?

Yes. The \$10,000 EIDL advance grant is forgiven.

6. What are the terms for the portion of an EIDL that is not eligible for forgiveness?

EIDL terms are for 30 years, and interest rates are capped at 2.75% for non-profits. The first month's payments are deferred a full year from the date of the promissory note.

7. We are a state government non-profit provider of water and sewer services to about 80 customers. How are we treated under the legislation?

Under current CARES Act guidelines, the PPP and EIDL program provisions are the same for state and municipal related nonprofits under 500 employees. If you have further questions regarding loan eligibilities for your small government-related nonprofit, please contact us at advocacy@aeoworks.org.



MIDSIZE LOAN PROGRAM

1. Are nonprofit organizations eligible to take advantage this program?

As of today, the CARES Act provides little details of this program implementation. However, it is assumed that mid-sized businesses or non-profits are eligible to apply to this new program.

2. What is the difference between midsize and small business? Do the same eligibilities apply to the midsize loan program?

The key difference between small and midsize businesses is the number of employees. Businesses/ nonprofit organizations must have between 500 and 10,000 employees to be considered midsize.

3. What can the loan be used for?

Midsize loans must be applied to retain at least 90 percent of the applicant's current workforce (including full compensation and benefits) through at least September 30, 2020.

4. What are the repayment guidelines for this loan?

The interest rates on midsize loans will not exceed 2 percent annually and, for the first six months, no principal or interest payments will be due on the loans.

5. Are Midsize loans eligible for forgiveness?

No. Midsize loans are not eligible for forgiveness.

6. Can loan expenses be used to cover executive employee salaries?

Yes. However, the loan program includes an employee compensation guideline. Midsize businesses are eligible to cover an officer or employee's total compensation up to a \$425,000 salary from calendar year 2019.

PAYROLL TAX PROVISIONS

1. Are nonprofit organizations eligible for the CARES Act payroll tax credit?

Yes. The payroll provision allows nonprofit organizations and self-employed individuals to defer payment of the employer share of the Social Security tax.

2. Will the payroll tax eventually need to be repaid?

Yes. The provision requires that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021 and the other half by December 31, 2022.

3. Can my organization participate in the PPP program and receive the payroll tax credit?

No, nonprofit borrowers who gets a PPP loan forgiven can't claim a payroll tax credit or deferral of payroll tax also offered under the CARES Act.



EMPLOYEE RETENTION CREDIT

1. During the national health emergency my nonprofit temporarily closed and laid off employees. Am I eligible to participate in the employee retention program when I rehire my employees?

Yes. To be clear, all businesses are eligible for employee retention benefits if they fall into the following categories:

Category 1: The business is fully or partially suspended by government order due to COVID-19 during the calendar quarter.

Category 2: The employer's gross receipts are below 50% of the comparable quarter in 2019. Once the employer's gross receipts go above 80% of a comparable quarter in 2019, they no longer qualify after the end of that quarter.

2. How do I receive the Employee Retention Credit?

All eligible businesses must fill out a form 7200 "Advance Payment of Employer Credits Due to COVID-19" at IRS.gov. Forms are accessible [here](#).

