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## Provisions of the CARES Act Pertaining to Not-For-Profits

Both the U.S. House and the U.S. Senate passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This bill is the third large-scale congressional effort in response to the COVID-19 outbreak. The legislation reflects a bipartisan agreement between the congressional leaders and the Trump Administration. President Trump is expected to sign the legislation into law within days.

The following is a summary of provisions of the CARES Act that provide relief to charitable non-profit organizations (“NPOs”).

### Emergency Small Business Loans for NPOs with 500 or fewer Employees

The CARES Act creates a new Emergency Small Business Loan program.

- **Amount.** Provides funding for special emergency loans of up to \$10 million for eligible NPOs.
- **Eligibility.** To be eligible, NPOs must have been in existence on March 1, 2020 or earlier and have 500 or fewer employees.
- **Forgiveness.** Loans are forgivable if the NPO keeps staff on the payroll between March 1 and June 30. This, in essence, turns the loan into a general operating support grant.
- **Loan use.** These forgivable loans can be used to meet payroll and associated costs, including health insurance premiums, facilities costs, and debt service.

### Loan Support for NPOs with 500 - 10,000 Employees

The CARES Act also calls for the creation of a loan and loan guarantee program via a new Industry Stabilization Fund specifically targeting “mid-size” organizations, defined as having between 500 and 10,000 employees.

- **Requirement.** NPOs accepting the mid-size business loans must retain or rehire at least 90% of their staff at full compensation.
- **Low interest rate.** It mandates an interest rate of no higher than 2% and would not accrue interest or require repayments for the first 6 months.
- **No forgiveness.** This provision, unlike the emergency SBA loan program, does not provide loan forgiveness.

### **Economic Injury Disaster Loans (EIDL)**

The Small Business Administration's EIDL program currently provides loans of up to \$2 million at an interest rate of 2.75% for NPOs. These loans may be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact.

- Creditworthiness. The CARES Act would change the EIDL to eliminate creditworthiness requirements.
- Checks within 3 days. Eligible NPOs with 500 employees or fewer are supposed to be able to get checks for \$10,000 within 3 days.

### **Employee Retention Payroll Tax Credit**

The CARES Act creates a refundable payroll tax credit of up to \$5,000 for each employee on the payroll when certain conditions are satisfied.

- The NPO had to be an ongoing concern at the beginning of 2020.
- The NPO had seen a drop in revenue of at least 50% in the first quarter compared to the first quarter of 2019.
- The availability of the credit would continue each quarter until the NPO's revenue exceeds 80% of the same quarter in 2019.
- For NPOs, the entity's whole operations must be taken into account when determining the decline in revenues. Notably, employers receiving emergency SBA loans would not be eligible for these credits.

### **Charitable Giving Incentives**

For corporations:

- Raises the annual limit from 10% of Adjusted Gross Income (AGI) to 25%.
- Food donations from corporations would be available to 25%, up from the current 15% cap.

For individuals:

- Includes a new above-the-line deduction (universal or non-itemizer deduction that applies to all taxpayers) for total charitable contributions of up to \$300.
- Lifts the existing cap on annual contributions for those who itemize, raising it from 60% of AGI to 100%.
- The new deduction would not apply to noncash gifts or to gifts contributed to donor advised funds.