



The Nonprofit's Guide to the CARES Act

Churches, private schools, and other nonprofits are among those organizations being severely impacted by recent lockdowns and social distancing regulations. The Coronavirus Aid, Relief, and Economic Security (CARES) Act is intended to provide some economic assistance to many of these organizations during the economic downturn. This guide provides information about the major programs and initiatives that will be of interest or benefit charitable nonprofits, including:

1. Paycheck Protection Program (PPP) Loans
2. Economic Injury Disaster Loans (EIDL) & Emergency Economic Injury Grants
3. Employee Retention Payroll Tax Credit
4. Delay of Payment of Employer Payroll Taxes
5. Economic Stabilization Fund
6. Self-Insured Nonprofits and Unemployment
7. Charitable Giving Incentive
8. Counseling & Training

To stay current on program status, please contact your local Small Business Administration (SBA) District Office [HERE](#).

Struggling to get started? The following tables might help point you in the right direction.

Individuals (Self-employed individuals should also explore the “Small Nonprofits” section, as they are eligible for a number of those opportunities.)
<ul style="list-style-type: none"> • Recovery Rebates
<ul style="list-style-type: none"> • Unemployment Insurance
<ul style="list-style-type: none"> • Charitable Giving Incentive
<ul style="list-style-type: none"> • Employer student loan repayments
Small Nonprofits (fewer than 500 Employees)
<ul style="list-style-type: none"> • PPP
<ul style="list-style-type: none"> • EIDL & Emergency Economic Injury Grants
<ul style="list-style-type: none"> • Employee Retention Payroll Tax Credit
<ul style="list-style-type: none"> • Delay of Payment of Employer Payroll Taxes
Large Nonprofits (more than 500 Employees)
<ul style="list-style-type: none"> • EIDL & Emergency Economic Injury Grants
<ul style="list-style-type: none"> • Employee Retention Payroll Tax Credit
<ul style="list-style-type: none"> • Delay of Payment of Employer Payroll Taxes
<ul style="list-style-type: none"> • Economic Stabilization Fund

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	Paycheck Protection Program	Full EIDL Loan
PURPOSE	Forgivable if used for payroll (minimum of 75% of the funds received) and the remaining for certain operating expenses (amount of any EIDL advance is not forgivable)	To meet financial obligations and operating expenses that could have been met had the disaster not occurred (amount of any EIDL advance is forgiven)
TERMS	Up to \$10 million 1% interest rate	Up to \$2 million 3.75% for businesses 2.75% for non-profits
FORGIVABLE	YES	NO – EIDL Loan YES – EIDL Advance
MATURITY	2 years	30 years
FIRST PAYMENT DUE	Deferred 6 months	Deferred 1 year

1. PPP Loans

The program would provide cash-flow assistance through 100% federally guaranteed loans to employers who maintain their payroll during this emergency. If employers maintain their payroll, the loans would be forgiven, which would help workers remain employed, as well as help affected small businesses and our economy snap-back quicker after the crisis. PPP has a host of attractive features, such as forgiveness of up to 8 weeks of payroll based on employee retention and salary levels, no SBA fees, and at least six months of deferral with maximum deferrals of up to a year. Nonprofits and churches will be able to apply if they were harmed by COVID-19 between February 15, 2020 and June 30, 2020. This program would be retroactive to February 15, 2020, in order to help bring workers who may have already been laid off back onto payrolls. ***Loans are available through June 30, 2020.***

FAQs for PPP Loans

Where can I apply for the PPP?

At any lending institution approved to participate in the program through the existing SBA 7(a) lending program and through additional Department of Treasury-approved lenders. This could be the bank you already use, or a nearby bank, but there are thousands of banks that already participate in the SBA's lending programs, including numerous community banks. You do not have to visit any government institution to apply for the program. Simply call your bank or find SBA-approved lenders in your area through SBA's online [Lender Match](#) tool. You can also call your local [Small Business Development Center](#) or [Women's Business Center](#) and they will provide free assistance and guide you to lenders.

Is there an advantage to using a particular bank?

Yes! If individuals do not have an account with a participating bank or lender, it is likely to take longer to set up. Anti-money laundering rules are manual and burdensome, and establishing new relationships is time consuming and challenging. There are literally thousands of businesses and nonprofits applying for loans, so speed and simplicity is of the essence. If you have a bank, start there first.

Who is eligible?

Nonprofit organizations are subject to [SBA's affiliation standards](#), with eligibility limited to those:

- in existence on March 1, 2020,
- that are either exempt from federal income tax under section 501(c)(3), including religious organizations, or are a war veterans' organization exempt under section 501(c)(19), and
- have 500 or fewer full and/or part-time employees (not including full-time equivalents). The law does not disqualify nonprofits that are eligible for payments under Title XIX of the Social Security Act (Medicaid), but does require that employees of affiliated nonprofits may be counted toward the 500-employee cap, depending on the degree of control of the parent organization.

I am an independent contractor. Am I eligible?

Yes. Sole proprietors, independent contractors, gig economy workers, and self-employed individuals are all eligible for the PPP.

I represent a registered non-profit church, but not a 501(c)(3). Will I receive benefits?

ALL CHURCHES are eligible for the forgivable loans available under the PPP.

Do you need to file a Form 990?

No church should have to file a Form 990.

What box do you check on the SBA Application Form 2483?

Churches should check the "501(c)(3) nonprofit" box in the top left corner of the form. You do NOT need to have any formal recognition from the IRS in order to be considered a 501(c)(3) entity. You do NOT need a determination letter from the IRS.

Why should I check the "501(c)(3) nonprofit" box?

You are automatically recognized as a 501(c)(3) organization as long as you are organized and operated exclusively for the exempt purposes outlined in section 501(c)(3). To qualify for tax-exempt status, the organization must meet the following requirements:

- the organization must be organized and operated exclusively for religious, educational, scientific or other charitable purposes;
- net earnings may not inure to the benefit of any private individual or shareholder;
- no substantial part of its activity may be attempting to influence legislation;
- the organization may not intervene in political campaigns; and
- the organization's purposes and activities may not be illegal or violate fundamental public policy.

What is the maximum amount I can borrow?

The amount any small business is eligible to borrow is 250% of their average monthly payroll expenses, up to a total of \$10 million. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. This 8-week period may be applied to any time frame between February 15, 2020, and June 30, 2020. Seasonal expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses.

How can I use the money such that the loan will be forgiven?

The amount of principal that may be forgiven is equal to the sum of expenses for payroll (including benefits), existing interest payments on mortgages incurred before February 15, 2020, rent payments and leases in force before February 15, 2020, and utility service agreements for which service began before February 15, 2020. However, due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll. In other words, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs. If you would like to use the PPP for other business-related expenses, like inventory, you can, but that portion of the loan will not be forgiven.

What counts as Payroll Costs under the PPP?

Payroll costs include the following: salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee); employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit; state and local taxes assessed on compensation; and for a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

When is the loan forgiven?

The loan is forgiven at the end of the 8-week period after you take out the loan. Borrowers will work with lenders to verify covered expenses and the proper amount of forgiveness.

What is the covered period of the loan?

The covered period during which expenses can be forgiven extends from February 15, 2020, to June 30, 2020. Borrowers can choose which 8 weeks they want to count towards the covered period, which can start as early as February 15, 2020.

How much of my loan will be forgiven?

The purpose of the PPP is to help you retain your employees, at their current base pay. If you keep all your employees, the entirety of the loan will be forgiven. If you still lay off employees, the forgiveness will be reduced by the percent decrease in the number of employees. If your total payroll expenses on workers making less than \$100,000 annually decreases by more than 25%, loan forgiveness will be reduced by the same amount. If you have already laid off some employees, you can still be forgiven for the full amount of your payroll cost if you rehire your employees by June 30, 2020.

Am I responsible for interest on the forgiven loan amount?

No, if the full principal of the PPP loan is forgiven, the borrower is not responsible for the interest accrued in the 8-week covered period. The remainder of the loan that is not forgiven will operate according to the loan terms agreed upon by you and the lender.

What are the interest rate and terms for the loan amount that is not forgiven?

The terms of the loan not forgiven will be fixed at .50%.

When do I need to start paying interest on the portion of my loan not forgiven?

All payments are deferred for 6 months; however, interest will continue to accrue over this period.

Can I pay my loan earlier than 2 years?

Yes. There are no prepayment penalties or fees.

Do I need to pledge any collateral for these loans?

No. No collateral is required.

Do I need to personally guarantee this loan?

No. There is no personal guarantee requirement. ***However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.***

When do PPP applications open?

Starting April 3, 2020, nonprofits and sole proprietorships can apply. Starting April 10, 2020, independent contractors and self-employed individuals can apply. We encourage you to apply as quickly as you can because there is a funding cap.

What documents will I need to include to apply for the PPP?

You will need to complete the PPP loan application and submit it with the required documentation to an approved lender that is available to process your application. Click [HERE](#) for the application. Additionally, as part of your application you need to certify the following in good faith: current economic uncertainty makes the loan necessary to support your ongoing operations; the funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments; you have not and will not receive another loan under this program; you will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan; all the information you provided in your application and in all supporting documents and forms is true and accurate, and that knowingly making a false statement to get a loan under this program is punishable by law; you acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted; you affirm that the tax documents are identical to those you submitted to the IRS; and you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

When is the application deadline?

Applicants are eligible to apply for the PPP loan until June 30th, 2020.

How can I request loan forgiveness?

You can submit a request to the lender that is servicing the loan. The request will include documents that verify the number of full-time equivalent employees and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments. The lender must decide on the forgiveness within 60 days.

I took out a bridge loan through my state, am I eligible to apply for the PPP?

Yes, you can take out a state bridge loan and are still be eligible for the PPP loan.

If I have applied for, or received an EIDL related to COVID-19 before the PPP became available, will I be able to refinance into a PPP loan?

Yes. If you received an EIDL loan related to COVID-19 between January 31, 2020 and the date at which the PPP becomes available, you would be able to refinance the EIDL into the PPP for loan forgiveness purposes. However, you may not take out an EIDL and a PPP for the same purposes. Remaining portions of the EIDL, for purposes other than those laid out in loan forgiveness terms for a PPP loan, would remain a loan. If you took advantage of an emergency EIDL grant award of up to \$10,000, that amount would be subtracted from the amount forgiven under PPP.

2. EIDL & Emergency Economic Injury Grants

These grants provide an emergency advance of up to \$10,000 to private non-profits harmed by COVID-19 within three days of applying for an SBA EIDL. To ensure the greatest number of applicants can receive assistance during this challenging time, the amount of your advance will be determined by the number of your pre-disaster (i.e., as of January 31, 2020) employees. The advance will provide \$1,000 per employee up to a maximum of \$10,000. To access the advance, you first apply for an EIDL and then request the advance. ***The advance does not need to be repaid under any circumstance***, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.

FAQs for EIDL & Emergency Economic Injury Grants

What is an EIDL and what is it used for?

EIDLs are lower interest loans of up to \$2 million, with principal and interest deferment at the Administrator's discretion, that are available to pay for expenses that could have been met had the disaster not occurred, including payroll and other operating expenses.

Who is eligible for an EIDL?

Eligible entities include "private nonprofit organizations." "Private nonprofit organization" is not defined for purposes of EIDLs, but at a minimum refers to 501(c)(3) tax-exempt organizations. We understand that other types of nonprofits are also eligible for EIDLs, such as 501(c)(4) social welfare organizations, 501(c)(6) trade associations, 501(c)(7) social clubs, etc. ***However, a recipient that is principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities is not eligible to receive an EIDL.*** If you are uncertain whether you qualify, please consult with legal counsel to determine whether your organization meets program criteria

Who is ineligible for an EIDL?

The following factors will render a 501(c) ineligible:

- Applicant is not engaged in any illegal activity (as defined by Federal guidelines).
- No principal of the Applicant with a 50% or greater ownership interest is more than sixty (60) days delinquent on child support obligations.
- Applicant is not an agricultural enterprise (e.g., farm), other than an aquaculture enterprise, agricultural cooperative, or nursery.

- Applicant does not present live performances of a prurient sexual nature or derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature.
- Applicant does not derive more than one-third of gross annual revenue from legal gambling activities.
- Applicant is not in the business of lobbying.
- Applicant cannot be a state, local, or municipal government entity or a member of Congress.

My private non-profit is not a 501(c)(3). Is it still eligible for an EIDL and a grant?

Yes, if you are a private non-profit with an effective ruling letter from the IRS, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954, or if you can provide satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law.

Who is eligible for an Emergency Economic Injury Grant?

Those eligible for an EIDL and who have been in operation since *January 31, 2020*, when the public health crisis was announced.

How long are Emergency Economic Injury Grants available?

From *January 31, 2020 – December 31, 2020*. The grants are backdated to January 31, 2020 to allow those who have already applied for EIDLs to be eligible to also receive a grant.

If I get an EIDL and/or an Emergency Economic Injury Grant, can I get a PPP loan?

Whether you’ve already received an EIDL unrelated to COVID-19 or you receive a COVID19 related EIDL and/or Emergency Grant between January 31, 2020, and June 30, 2020, you may also apply for a PPP loan. If you ultimately receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP. However, you cannot use your EIDL for the same purpose as your PPP loan. For example, if you use your EIDL to cover payroll for certain workers in April, you cannot use PPP for payroll for those same workers in April, although you could use it for payroll in March or for different workers in April.

How do I apply for an economic injury disaster loan?

To apply for an EIDL online, please visit <https://disasterloan.sba.gov/ela/>. Your [SBA District Office](#) is an important resource when applying for SBA assistance.

I am unfamiliar with the EIDL process. Can anyone help me apply?

Yes, SBA resource partners are available to help guide you through the EIDL application process. You can find the nearest Small Business Development Center (SBDC), Women’s Business Center, or SCORE mentorship chapter at <https://www.sba.gov/localassistance/find/>.

3. Employee Retention Payroll Tax Credit

This provision would provide a refundable payroll tax credit for 50% of wages paid by eligible employers to certain employees. Wages of employees who are furloughed or face reduced hours due to their employer's closure or economic hardship are eligible for the credit. For employers with 100 or fewer fulltime employees, all employee wages are eligible, regardless of whether an employee is furloughed. The credit is provided for wages and compensation, including health benefits, and applies to the first \$10,000 in wages and compensation paid by the employer to an eligible employee. Wages do not include those considered for purposes of the payroll credits for required paid sick leave or required paid family leave, nor for wages considered for the employer credit for paid family and medical leave. For tax-exempt organizations, the entity's whole operations must be considered when determining eligibility. The availability of the credit would continue each quarter until the organization's revenue exceeds 80% of the same quarter in 2019, and is provided through December 31, 2020.

Who is eligible?

The credit is available to:

- employers, including all tax-exempt 501(c) organizational types, whose operations have been fully or partially suspended as a result of a government order limiting commerce, travel, or group meetings (for commercial, social, religious or other purposes) due to COVID-19, i.e., a shutdown order,
- employers who have experienced a greater than 50% reduction in quarterly receipts, measured on a year-over-year basis, and
- ***an organization who have NOT received assistance through the PPP.***

4. Delay of Payment of Employer Payroll Taxes

This provision would allow taxpayers to defer paying the employer portion of certain payroll taxes through the end of 2020, with all 2020 deferred amounts due in two equal installments, one at the end of 2021, the other at the end of 2022. Payroll taxes that can be deferred include the employer portion of FICA taxes, the employer and employee representative portion of Railroad Retirement taxes (that are attributable to the employer FICA rate), and half of SECA tax liability. Deferral is not provided to employers receiving assistance through the PPP.

5. Economic Stabilization Fund

Creates a loan and loan guarantee program for industries to keep them solvent through the crisis. It sets aside \$454 billion for eligible businesses including nonprofit organizations. Notably, the term "nonprofit organizations" is not defined for purposes of the Fund, so it is unclear whether nonprofits other than those exempt under section 501(c)(3) are eligible. Mid-sized nonprofits and businesses that have between 500 and 10,000 employees are expressly eligible for loans under this provision. Although there is no loan forgiveness provision in this section, the mid-size business loans would be charged an interest rate of no higher than 2% and would not accrue interest or require repayments for the first six months. Nonprofits accepting the mid-size business loans must retain at least 90% of their staff at full compensation and benefits until September 30. The Treasury has the authority to provide loans through December 31, 2020

6. Self-Insured Nonprofits and Unemployment

Nonprofits and government entities may either be a reimbursable employer (i.e., reimburse a state for unemployment benefits paid to a former employee) or, like most, pay into a state unemployment trust fund. It is uncommon for nonprofits to choose to be a reimbursable employer and the vast majority elect the certainty of paying a set amount into the state unemployment trust fund and knowing that this is the extent of their unemployment tax liability (rather than the uncertainty of reimbursing the state an undetermined amount later for amounts paid to a former employee by the state unemployment insurance trust fund).

The CARES Act provides that nonprofits that have chosen to be reimbursable employers may be reimbursed for one-half of the amounts paid into a state unemployment trust fund between March 13, 2020, and December 31, 2020.

For example, if a “reimbursable employer” nonprofit organization’s former employee receives \$5,000 in unemployment benefits from the state, the organization would normally be required to reimburse the state for the \$5,000. However, the CARES Act provides that the federal government may reimburse the nonprofit organization for half of this amount, i.e., \$2,500.

7. Charitable Giving Incentive

The CARES Act encourages Americans to contribute to churches and charitable organizations by creating a new above-the-line deduction (applies to all taxpayers whether they itemize their deductions or not) for total charitable contributions of up to \$300. The incentive applies to cash contributions made in 2020 and can be claimed on tax forms next year.

The law also lifts the existing cap on annual contributions for those who itemize, raising it from 60% of adjusted gross income to 100%. For corporations, the law raises the annual limit from 10% to 25%. Food donations from corporations would be available to 25%, up from the current 15% cap.

8. Counseling & Training

If you, like many small business owners, need a business counselor to help guide you through this uncertain time, there are several organizations that are established to assist you. Your Small Business Development Center (SBDC) is a good place to start. However, due to SBDC’s funding guidelines, some SBDCs will not be able to assist businesses that are established as not-for-profit. There are also Women’s Business Centers (WBC) and SCORE mentorship chapters. These resource partners, and the associations that represent them, will receive additional funds to expand their reach and better support small business owners with counseling and up-to-date information regarding COVID-19. There will soon be a joint platform that consolidates information and resources related to COVID-19 in order to provide consistent, timely information to small businesses. To find a local resource partner, visit <https://www.sba.gov/local-assistance/find/>.

In addition, the Minority Business Development Agency’s Business Centers (MBDCs), which cater to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19. Not every state has a MBDC. To find out if there is one that services your area, visit [this site](#).

FAQs for Counseling & Training

Do I have to pay for counseling and training through SBDCs, WBCs, and MBDCs?

Counseling is free and training is low-cost with these partners. The additional funds that Congress provided will help keep this possible. Mentorship through SCORE is always free.

What is a SBDC?

SBDCs are a national network of nearly 1,000 centers that are located at leading universities, colleges, state economic development agencies and private partners. They provide counseling and training to new and existing businesses. Each state has a lead center that coordinates services specifically for that state, which you can find by clicking the link above. To find out more about SBDCs, visit <https://americassbdc.org/about-us/>.

What is a WBC; is it only for women?

WBCs are a national network of more than 100 centers that offer one-on-one counseling, training, networking, workshops, technical assistance and mentoring to entrepreneurs on numerous business development topics. In addition to women, WBCs are mandated to serve the needs of underserved entrepreneurs, including low-income entrepreneurs. They often offer flexible hours to meet the needs of their diverse clientele. To find out more about WBCs, visit <https://www.awbc.org/>.

What is SCORE?

SCORE provides free, confidential business advice through our volunteer network of 10,000+ business experts. You can meet with a mentor online. Find out more [here](#).

Who do MBDCs serve?

MBDCs are a good option for minority-owned businesses (including those owned by Black, Hispanic, Asian American/Pacific Islander, and American Indian business owners), especially those seeking to penetrate new markets—domestic & global—and grow in size and scale.