

OVERVIEW OF FEDERAL EMERGENCY CORONAVIRUS FUNDING FOR 501(c)(3) NONPROFITS

On 3/30/20, the **U.S. Chamber of Commerce Foundation** hosted a webinar where Neil Bradley, U.S. Chamber of Commerce Executive Vice President and Chief Policy Officer, discussed four resources Congress made available to nonprofits navigating the Coronavirus pandemic. With a growing need for their services and increased stress on their staff, this information is vital to nonprofit organizations in the St. Louis region. These notes are shared to support you as you navigate resources.

The recorded session is available [here](#), and the resources discussed were:

1. [Delay of Payroll Tax Remittance](#) (via HR 748 – Coronavirus Aid Relief & Economic Security “CARES” Act)
2. [Employee Retention Credit](#) (via CARES Act)
3. [Paycheck Protection Act](#) (via CARES Act)
4. [Small Business Administration \(SBA\) Economic Injury Disaster Loans](#) (via CARES Act)
5. [Paid Sick Leave & Family and Medical Leave](#) (via HR 6201 – Families First Coronavirus Response Act)

Overall, Mr. Bradley observed that Congress seeks to support small business’ and nonprofits’ ability to operate and pay staff. They also want to prevent nonprofits (or any business) from leveraging multiple support programs for the same expenses. The [Paycheck Protection Act \(PPA\)](#) is the most generous option because it is a loan that converts to a grant. If you take advantage of that, you lose the ability to [defer payment of employer payroll taxes](#) AND lose the ability to get the [employee retention tax credit](#). It may also reduce the amount of your [SBA Economic Injury Disaster Loan \(EIDL\)](#).

1. Delay of Payroll Tax Remittance

Employers may *delay* paying payroll tax to improve liquidity between now and 1/1/21. Please note:

- This is not tax forgiveness; 50% of taxes are due 12/31/21 with remainder due 12/31/22.
- *Doesn't apply to employer who has a loan forgiven under Paycheck Protection Act (see below).*

2. Employee Retention Credit

For employers, especially nonprofits, who have fully or partially shut down and are still paying employees. Refundable tax credit for 50% of the wages (including employers health plan expenses) paid by the employer up to \$10,000 per employee. (Think of this as a \$5,000 tax credit.) There are varying parameters by size:

- Employers with < 100 employees, applies to employees not providing direct services
- Employers with 100 or fewer employees, applies to all employees paid during the eligible period

Doesn't apply to employer who has a loan forgiven under PPA (see below).

3. Paycheck Protection Act (PPA)

Considered the most generous program and is getting a lot of attention. It is a \$349 billion* loan program for sole proprietors, independent contractors, and businesses + 501(c)3 nonprofits with less than 500 employees. Eligible for a **loan equal to or lesser than 2.5 months of average payroll** (not to exceed \$10 million). **Loans will be available Friday (4/3)**, and you do not need collateral or a personal guarantee. IMPORTANT: you can convert the loan to a grant that is *not* taxable as income.

- The Chamber designed this [helpful resource](#) to navigate eligibility, how much you can borrow, what you to bring to the lender, etc. Find it at: <https://www.uschamberfoundation.org/c3loans>.
- Lenders:
 - In addition to traditional SBA-7A lenders, the Treasury Secretary indicated on 3/30 that all FDIC-insured depository institutions, credit unions, and fin-tech companies will have the opportunity to apply to offer these loans.

- This is meant to be a program where your first and last stop is your normal bank.
- Converting to a grant:
 - Convert the loan to a grant equal to the amount spent on payroll, rent, interest on mortgage, and utilities *for the 8 weeks after loan origination*.
 - This amount is reduced if:
 - You reduce number of FTE's compared to benchmark period in 2019 or the first two months of 2020 (proportional reduction)
 - You reduce wages by more than 25%
 - You can avoid reductions by bringing back employees and restoring wages within 30 days and maintaining through June 30.

** The \$349 billion allocation was chosen because it is roughly equivalent to the entire payroll expenses for all employers with fewer than 500 employees for 6 weeks.*

4. Small Business Administration (SBA) Economic Injury Disaster Loans (EIDL)

These SBA loans are regularly available in times of natural disaster and the program has been modified for COVID response. The loans are available to sole proprietors, independent contractors, and businesses and all 501(c) nonprofits, including faith-based, with fewer than 500 employees. **To apply, visit [SBA.gov](https://www.sba.gov) & [register for one of their free webinars here](#).** Other considerations:

- You can borrow up to \$2 million of working capital for up to 30-year term; nonprofits pay 2.75% interest (for-profit entities pay 3.75%). Repayment is deferred for up to one year.
- You do not need to provide tax returns; the loans will be based on credit score and loans \$200,000 or less won't require personal guarantee. Loans \$25,000 or less require no collateral.
- **IMPORTANT:** if you apply for an EIDL loan and have immediate needs, you can request a **\$10,000 emergency grant**. It will be provided in 3 days, and (even if you don't receive the loan) it doesn't have to be repaid.
- Take note that the emergency grant and/or loan interact with the PPA.

5. Paid Sick Leave and Family and Medical Leave Act (FMLA) Leave

You may have missed these important items – that apply to nonprofits – in the Families First law.

Paid Sick Leave: Employers with fewer than 500 employees are required to provide 10 days of paid sick leave if leave is related to COVID-19 (employee is ill, quarantined due to exposure, caring for sick or quarantined family, or caring for child during school closure). Details:

- Leave is paid at regular rate with maximum of \$511/day if taking care of self; leave is paid at $\frac{2}{3}$ rate with maximum of \$200/day if caring for a family member.
- **This paid sick leave is 100% reimbursed by the federal government.** This is structured as a refundable tax credit against your payroll taxes. To help with liquidity, the Treasury is trying to provide advances on future refundable tax credit.
- *Note: this program is in addition to any other leave an employer already provides.*

Paid FMLA Leave: Employers with fewer than 500 employees are required to provide up to 10 week of paid FMLA leave if an employee needs to take care of a child due to a school or child care closure caused by COVID-19. Details:

- Leave is paid at $\frac{2}{3}$ regular pay to a maximum of \$200/day and \$10,000 total
- **This paid sick leave is 100% reimbursed by the federal government.**

For both: They may not apply to businesses with fewer than 50 employees if providing the leave threatens the viability of the business, and *they are not available if an employee can telework.*