

The CARES Act: What's in it for Nonprofits

CARES Act key provisions of interest to charitable organizations.

LONG BEACH, CA, UNITED STATES, April 14, 2020 /EINPresswire.com/ -- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed by the President on Friday March 27, 2020. Here are key provisions of [interest to charitable organizations](#).

For Businesses (Including Nonprofits)
Small Business Loans
Small Business Interruption
Loans/"Paycheck Protection Program"



- The Act expands the eligibility for businesses with fewer than 500 employees, including certain self-employed individuals, sole proprietors, and independent contractors, to borrow up to 2.5 times their average monthly payroll costs for the trailing twelve months, capped at \$10 million, without the need for collateral or personal guarantees.
- Loans may be used for payroll, medical or sick leave, family leave, group health care benefits, mortgage payments, rent, utilities, and other debts.
- Payroll costs exclude compensation for employees whose annual salary exceeds \$100,000.
- Certain covered loans may be eligible for forgiveness for proceeds used to meet payroll, with forgiveness amounts reduced if there is a reduction in either the number of employees or compensation for certain lower-paid employees during the covered period. Forgiveness of loans will not give rise to cancellation of indebtedness income.

Economic Injury Disaster Loan

- Small businesses, including ESOPs and nonprofits affected by the coronavirus in presidential and SBA-declared disaster areas are eligible to borrow up to \$2,000,000.
- The interest rate is 2.75% for nonprofits and 3.75% for small businesses.
- Loans may be used for accounts payable, fixed debts, payroll, and other bills due to the virus.

Employee Retention Payroll Tax Credit

- The bill creates an employee retention credit for employers who close due to the coronavirus pandemic.
- Eligible employers are allowed a credit against employment taxes equal to 50% of qualified wages (up to \$10,000 in wages) for each employee.

- Eligible employers are those forced to at least partially suspend operations or those who experience a significant decline in gross receipts as a result of COVID-19.

Deferral of Social Security Taxes

- Employers may defer their portion of the 6.2% employer share of Social Security taxes through 2020, with the deferred amount payable over the following two years.

- The employer share of the Medicare tax may not be similarly deferred.

Economic Stabilization Fund

- Available for mid-sized businesses, including nonprofits, that have between 500 and 10,000 employees.

- Interest rates no higher than 2% and would not accrue interest or require repayments for the first six months.

- Must retain at least 90% of their employment levels as of March 24, 2020 through September 30, 2020.

- Includes limitations on compensation for officers and high-earning employees.

Grants from the National Endowment for the Humanities

- The National Endowment for the Humanities (NEH) will receive \$75 million in supplemental funding to assist cultural institutions affected by the coronavirus.

- This emergency funding will support at-risk humanities positions and projects at museums, libraries and archives, historic sites, colleges and universities, and other cultural nonprofits.

For Your Individual Donors Charitable Contributions

- The Act allows an above-the-line charitable contribution deduction of up to \$300 for taxpayers who do not itemize deductions on their 2020 tax returns.

- For individuals who do itemize, cash contributions to public charities may be fully deducted (up to 100% of adjusted gross income) without regard to the usual percentage limitation. Contributions in excess of the taxpayer's adjusted gross income may be carried forward for five years.

- The limitation for deductions of food inventory is increased from 15% to 25% for 2020.

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