

## The CARES Act may help your non-profit

# *The* CARES Act



Brian J. Jereb | Monday, March 30, 2020

Non-profit organizations are facing challenges similar to those being faced by for-profit businesses as a result of the coronavirus crisis. Fortunately, The Coronavirus Aid, Relief, and Economic Security Act (“CARES”) signed into law on March 27, 2020 contains provisions that may be beneficial to your non-profit organization.

### **INCENTIVES FOR YOUR DONORS**

CARES creates incentives for the donors of tax-exempt charitable non-profits to make contributions during these difficult times. CARES institutes a new charitable deduction up to \$300 for 2020. This new deduction is not an itemized deduction and can be taken regardless of whether the donor itemizes deductions. This means that even donors who take the standard deduction can qualify for this “above line” deduction. Additionally, CARES eliminates the deduction limit for 2020 on charitable contributions for individual taxpayers who itemize deductions by raising the deduction cap from 60% to 100%.

In addition to expanding deductions for individual donors, charitable contributions made by corporations during 2020 will be able to deduct up to 25% of their adjusted gross income for charitable contributions rather than 15%. Donations of food inventory from corporations will be subject to a 25% cap rather than the prior 15% cap. The increases in the deduction caps would not apply to contributions to donor advised funds, most private foundations, and organizations classified as supporting organizations.

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### **NEW EMERGENCY SMALL BUSINESS LOAN PROGRAM**

CARES creates a new emergency small business loan program that will be part of the SBA 7(a) loan program. If you are a non-profit and were in existence on March 1, 2020 and have 500 or less employees, you may qualify for a loan of up to \$10.0 million to cover your payroll, operations, and debt service costs. CARES waives loan fees for borrowers and lenders. If you keep your employees on the payroll between February 15, 2020 and June 30, 2020, the loan becomes forgivable. This loan forgiveness basically means that the loan becomes an operating grant. By participating in this program, a non-profit may become ineligible for other relief under CARES.

### **LOAN PROGRAM FOR NON-PROFITS WITH BETWEEN 500 AND 10,000 EMPLOYEES**

If you are a larger non-profit with between 500 to 10,000 employees, you may be able to benefit from a new loan program supported by the Exchange Stabilization Fund (“ESF”). The ESF was created in the Gold Reserve Act in 1934 and has been used in the past to stabilize the U.S. dollar and to provide credit to other countries in order to stabilize their debt. Unlike the emergency SBA program discussed above, the ESF program does not offer loan forgiveness. However, the ESF program caps the interest rate at 2%. Additionally, loan interest neither accrues nor are interest payments required for the first six months. To qualify for assistance under this program, you must keep or rehire at least 90% of your staff at their full compensation levels.

### **SBA’S CURRENT ECONOMIC INJURY DISASTER LOAN PROGRAM**

In addition to the SBA emergency loan program and the ESF program, you may be able to benefit from the SBA’s current Economic Injury Disaster Loan program, which is receiving additional funding under CARES. Under this program, loans of up to \$2.0 million are available at a 2.75% interest rate for non-profits. You may use these loans to pay your fixed debt, account payable, payroll, and other costs that cannot be paid due to the Coronavirus crisis. CARES relaxes various loan requirements and calls for an expedited emergency advance \$10,000 within three days of applying. Applicants will not be required to repay the advance even if they are not granted a loan under the program.

As one might expect, there will be many practical issues to be addressed with respect to the various benefits available to non-profits and their donors under CARES. If you have any questions concerning how CARES may help your non-profit, please contact Brian J. Jereb.



**Brian J. Jereb**

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