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### **Coronavirus Aid, Relief, and Economic Security Act (CARES Act)**

Below are some of the top areas that could be beneficial to nonprofit businesses. Additional summarized information can be found at: <https://www.councilofnonprofits.org/trends-policy-issues/initial-analysis-of-the-coronavirus-aid-relief-and-economic-security-act-cares>

Please reach out with any questions or if you would like more detailed information related to one or more specific areas within the bill.

**Employee Retention Credit** - Refundable payroll tax credit of up to \$5,000 for each employee on payroll. The credit is available to employers whose:

- Operations were fully or partially suspended, or
- Gross receipts declined more than 50%

This credit is not available for employers receiving the Paycheck Protection Program.

**Delayed Payment of Payroll Taxes** – Employers are able to delay payment of the employer payroll taxes. 50% to be paid by December 31, 2021 and remaining 50% to be paid by December 31, 2022.

**Paycheck Protection Program** - This loan is applied for directly with the banks. Here are the bullet points on it.

- Loan program maxed out at \$10 million per borrower.
- Uses of the loan include payroll support and includes paid sick or medical leave, employee salaries, mortgage payments, insurance premiums and any other debt obligations. Also includes commissions, tips, paid leave, and retirement benefit payments.
- Loan period for this loan starts on February 15, 2020 and ends on June 30, 2020.
- Covers businesses with fewer than 500 employees.
- For businesses to be eligible for this program, lenders must ascertain:
  - That the business was operational on February 15, 2020, and
  - The business had employees or independent contractors, and
  - The business was substantially impacted by COVID-19.
  - An important note is that the Act gives lenders more authority on the loans without having those lenders run those determinations thru the SBA.
- Other information
  - NOT covered under the Paycheck Protection Program loan program is comp in excess of \$100K.
  - Also NOT covered – any sick leave or family leave wages under the Family First Coronavirus Response Act are not part of this loan program.
  - Also NOT covered – comp outside the US.
  - The Paycheck Protection Program loans are NONRECOURSE – which means there is no personal liability such as personal guarantees or using property as collateral.
  - There is a GOOD FAITH Certification required and has the following requirements:

- The current business climate makes the PPP loan necessary to support current operations,
  - Funding from the loan will be used for payroll, mortgage payments and utility payments.
  - There are NO duplicative amounts.
- Terms of the PPP loans
  - Interest rate not to exceed 4%.
  - Payment Deferment – 6 to 12 months including principal, interest and fees.
  - Origination fees – the Lender will be paid by the SBA.
  - The PPP loan can be forgiven by the SBA as long as the proceeds are used to pay payroll costs, mortgage interest, rent and utilities for the covered period from February 15, 2020 to June 30, 2020.
    - Forgiveness of the PPP loans will be reduced for any reduction of employees retained compared to the prior year and for reduction in employee comp beyond 25% from the prior year.
    - Borrowers will NOT be penalized for rehiring employees during this period
    - The federal government will forgive the loans in an amount equal to the amount of qualifying costs spent during an eight-week period after the organization of the loan.
  - Any loan forgiveness will NOT be included in the borrower's taxable income.

**The Economic Injury Disaster Loan** - Applied for directly with the SBA, for a loan up to 2 million dollars. This program is not new, but it has greatly expanded as a result of the Coronavirus Preparedness and Response Supplemental Appropriations Act. This program was also expanded by the CARES Act with an additional \$10 billion that will allow business to receive an expedited \$10,000 emergency Grant within three days of applying for the loan. This \$10,000 does not need to be repaid, even if the business is subsequently denied the Economic Injury Disaster Loan.