

NEWS ALERT**TAX-EXEMPT ORGANIZATIONS GROUP****CARES Act Relief for Tax-Exempt Organizations**

By Julia P. Boisvert and Edward B. Spinella | April 1, 2020

The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted on March 27, 2020 and provides emergency relief to the American people and businesses in response to the COVID-19 public health crisis. Relief for tax-exempt organizations is explicitly included in the CARES Act. The type and amount of relief, in some instances, depends on the organization’s size and its classification under Section 501 of the Internal Revenue Code.

This alert is designed to provide a summary of the key CARES Act provisions that support tax-exempt organizations. Where appropriate, we have referred back to more comprehensive summaries developed by our colleagues. We are maintaining a comprehensive collection of resources relating to the COVID-19 pandemic for all of our clients [here](#). Our collection of resources is regularly updated and covers many other areas of the law including employment and labor, employee benefits, insurance recovery, health care, tax and litigation.

Paycheck Protection Program Loans

These forgivable, low interest loans are available to Section 501(c)(3) and 501(c)(19) organizations with 500 or fewer employees and may be used for certain defined expenses. A comprehensive summary of the Paycheck Protection Program is available [here](#). The application is now available on the Treasury Department’s website and processing will begin on April 3, 2020.

Emergency Economic Injury Disaster Loans and Grants

The CARES Act also expands the Small Business Administration’s (“SBA”) Economic Injury Disaster Loan (“EIDL”) program which is available to all tax-exempt organizations. Under the CARES Act, the creditworthiness requirements are waived for eligible tax-exempt organizations with 500 or fewer employees. In connection with the application for the EIDL, an applicant may request that up to \$10,000 of the amount applied for be given as a grant. SBA is required to pay this amount within 3 days after it receives the EIDL application even if the EIDL application is not ultimately approved. Specific information on the EIDL will be available [here](#) later this week.

Industry Stabilization Fund

The CARES Act authorizes the Treasury Department to develop a mid-size loan program for certain businesses, including tax-exempt organizations, that have between 500 and 10,000 employees. Although the application process and further details are still being developed, it is clear that the program will be administered by local financial institutions and will provide loans with an annualized rate of no more than 2% per year. Payments of principal and interest will be deferred for at least the first six months after the loan is made.

The recipient must certify, among other things, that the funds will be used to retain at least 90% of the recipient's workforce, at full compensation and benefits, until September 30, 2020 and that the recipient intends to restore at least 90% of its workforce as existed as of February 1, 2020, at full compensation and benefits, within a certain period after the end of the COVID-19 crisis.

Employee Retention Payroll Tax Credit

The CARES Act makes available an employee retention payroll tax credit for certain employers in operation at any point in 2020, including tax-exempt organizations. The credit is a refundable payroll tax credit that equals 50% of qualified wages. More information on the tax credit will be available on our main resource page noted above.

Self-Insured Tax-Exempt Organizations for Unemployment Benefits

The CARES Act provides additional relief for tax-exempt organizations that have opted to reimburse the state for unemployment benefits paid to a former employee (rather than making quarterly payments into the state's unemployment trust). These tax-exempt organizations may be reimbursed for one-half the amounts paid into the state unemployment trust fund for former employees between March 13, 2020 and December 31, 2020.

Charitable Giving Incentives

The CARES Act also strives to encourage additional charitable giving during this time by providing certain benefits to donors. These benefits include a new one-time above-the-line deduction for total charitable contributions of up to \$300. This deduction is available to all donors in 2020, including those that use the standard deduction, and will be available on tax forms next year.

For taxpayers who itemize their deductions, the CARES Act also raises the existing cap on annual charitable contributions from 50% or 60% of adjusted gross income to 100%. It also raises the cap on businesses from 10% of adjusted gross income to 25%. Food donations from corporations is adjusted to 25% from the current cap of 15%.

Tax-Exempt Health Care Providers

Various provisions of the CARES Act apply to certain tax-exempt health care providers, including its establishment of the Public Health and Social Services Emergency Fund. Through this program, health care providers will have access to \$100 billion through grants or other mechanisms. This money is set aside for health care related expenses or lost revenues directly attributable to COVID-19. More information on the Public Health and Social Services Emergency Fund and other provisions of the CARES Act applicable to certain tax-exempt health care providers will be posted [here](#) later this week.

If you have any questions regarding this bulletin, please contact:

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