

CARES Act: Nonprofit Organizations

- ❖ EIDL Advance and EIDL
- ❖ Paycheck Protection Program
- ❖ Employee Retention Credit
- ❖ Delay of Payment of Employer Payroll Taxes
- ❖ Paid Sick and FMLA Leave

<https://www.sba.gov/funding-programs/disaster-assistance>

www.VirginiaSBDC.org



U.S. Small Business
Administration

4/8/2020

Economic Injury Disaster Loan (EIDL) Advance

- Same eligibility as EIDL
- submit EIDL application, ask for the advance—check box on EIDL application
- up to \$10,000 3-days after submitting an EIDL application
- does not need to be repaid under any circumstance

Economic Injury Disaster Loan (EIDL)

- Eligibility
 - Businesses with up to 500 employees in operation as of Feb 15, 2020
 - 501(c)3 and faith based organizations with fewer than 500 employees
 - Independent contractors, sole proprietors, Tribal business concerns, ESOPs
- Loans from SBA directly
 - Waives personal guarantees and 1-year in business for advances and loans under \$200,000
 - Do not need to have sought capital elsewhere for advances and loans under \$200,000
 - No collateral for \$25k or less
 - Up to 12 month deferral
- Loan Amounts
 - Working capital loan up to \$2 million; Based on 6 months operating expenses
 - Term up to 30 years, 3.75%
- Uses for the loan proceeds include:
 - Payroll, working capital, operating expenses that can't be paid because of the disaster impact

4/8/2020

Paycheck Protection Program

Starts APR 3 (small biz) APR 10 (independent contractors and sole proprietors)

- Eligibility
 - Businesses with up to 500 employees in operation as of Feb 15, 2020
 - Nonprofits, faith-based organizations, independent contractors and sole proprietors
- Loans from SBA approved banks, credit unions, and some nonbank lenders
- No collateral; no personal guarantees; do not need to have sought capital elsewhere
- Loan Amount
 - 2.5x of average monthly payroll expenses over last 12 months; up to \$10m
- Uses for the loan proceeds include:
 - qualified payroll costs; rent; utilities; and interest on mortgage
- Loan Forgiveness
 - for funds used to pay 8 weeks of payroll (excluding sal in excess of \$100,000), mortgage interest, rent and utilities (75% should be used for payroll)
 - 8 weeks begins on the loan origination date
- Loan amount that is not forgiven
 - you will owe money if staff and payroll are not maintained
 - interest rate is 1.0% with 2 year term
 - prin and int deferred for 6-12 months after disbursement of the loan

4/8/2020

Paycheck Protection Program

Starts APR 3 (small biz) APR 10 (independent contractors and sole proprietors)

Request for forgiveness

- Submit request to the lender; decision within 60 days
- Required to keep good records of payroll and other eligible expenses
- documents that verify:
 - the number of full-time equivalent employees and pay rates,
 - the payments on eligible mortgage, lease, and utility obligations
- You must certify that the documents are true and that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments.

**Employee Retention Credit
for Employers Subject to Closure or Experiencing Economic Hardship**

- Employers fully or partially shutdown or with 50% drop in gross receipts in a quarter compared to prior year (until return to 80%)
- Shutdown must apply to all aspects of nonprofit organization
- Refundable tax credit for 50% of the wages (including employers health plan expenses) paid by the employer up to \$10,000 per employee
- Employers with more than 100 employees applies to employees not providing services
- Employers with 100 or less employees applies to all employees paid during the eligible period
- Allows for advance payment of the credit

Employers are not eligible if they receive a Paycheck Protection Program loan

Delay of Payment of Employer Payroll Taxes

- Delay payment of employer payroll taxes (Social Security) between now and 1/1/21
- 50% due 12/31/21 and 50% due 12/31/22

***Does not apply to employers who have loans
forgiven under Paycheck Protection Program***

4/8/2020

Paid Sick Leave – Families First Act

- Employers with less than 500 employees are required to provide 10 days of paid sick leave, if leave is related to COVID-19
- Sick leave can be taken when ill, quarantined due to exposure, to take care of a sick or quarantined family member, or to take care of a child during a school closure
- Leave is paid at regular rate with a maximum of \$511 per day if taking care of self; paid at 2/3 rate with a maximum of \$200 per day if caring for family member
- Payment up to the maximum is reimbursed by the federal government
- Leave is in addition to any other leave an employer already provides
- Businesses with less than 50 employees may be exempt from providing leave related to caring for a child whose school or daycare is closed if providing leave threatens the viability of the business
- Paid sick leave is not available if an employee can telework

4/8/2020

Paid FMLA Leave – Families First Act

- Employers with less than 500 employees are required to provide up to 10 weeks 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
- Leave is paid at 2/3 regular pay at a maximum of \$200 per day and \$10,000 in the aggregate
- Paid FMLA is in addition to any leave an employer provides
- Payments for FMLA leave will be reimbursed by the federal government up to the maximum
- Businesses with less than 50 employees may be exempt from providing leave related to caring for a child whose school or daycare is closed if providing leave threatens the viability of the business
- Paid leave is not available if an employee can telework

4/8/2020

CALL TO ACTION-Be Prepared and Act Quickly:

- ✓ This is an opportunity-view it that way!
- ✓ Call your bank NOW and ask them if they are an approved SBA Lender
- ✓ If they are not an approved lender, ask if they can refer you to a bank that is
- ✓ Banks are busy, but it is crucial to get in the queue ASAP.
- ✓ Get all of your organizational and payroll information together- this is just good business

Helpful Websites:

- www.sba.gov
- www.sba.gov/sites/default/files/articles/Virginia_7a_Lenders_List_126.pdf
- www.fmaonline.net
- www.lisc.org/covid-19/small-business-assistance/paycheck-protection-program