



*This Legal Alert contains general advice and you should seek legal counsel regarding your specific circumstances. Also, the guidance provided below is the law as of April 2, 2020. In these uncertain times, the laws and regulations are constantly changing.*

## CARES Act & Nonprofits: Finding Relief with Paycheck Protection Program, Disaster Loans and More

On March 27, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law to provide immediate economic relief for many, including nonprofits. The CARES Act can provide relief to nonprofits impacted financially by COVID-19 through loans, grants, or tax credits. Of significant note is that for a limited time, the Small Business Administration (SBA) will provide 100% federally backed loans to nonprofits with 500 or less employees to assist with paying certain operational costs. While some of these loan amounts are forgivable under the CARES Act, the amount that may be forgiven will be reduced if any employee cuts or reductions in wages are made by the employer. PBPO has identified the key resources we have found to be the most helpful of this newly developing legislation. This article will tackle the two more common loans: the **Paycheck Protection Program** (PPP) and the **Economic Injury Disaster Loan** (EIDL).

The first loan option, the **Paycheck Protection Program** (PPP), provides low interest loans (interest may not exceed 4%), which may not exceed a term of ten years and can be for a maximum of \$10 million or 2.5 times the amount of the monthly payroll. The loans have no loan fee and there is no requirement for a personal guarantee. Loans can be used for payroll, health care benefits, mortgage obligations, rent, utilities, or certain debt expenses. What's great is that borrowers may have these loans forgiven if the amounts borrowed are used during the 8 weeks after receiving the loan for the purposes outlined. However, if there is a reduction in the wages or workforce through June 30, 2020, then so will the amount forgiven be reduced. On March 31, the Small Business Administration (SBA) and US Department of Treasury released the application form for nonprofits to apply for and obtain loans under the PPP. Beginning April 3, nonprofits will be able to apply for these loans. We encourage you to reach out to your SBA-approved bank, lender, or credit union for more details as each will have their own application process.

The second option commonly discussed is the **Economic Injury Disaster Loans** (EIDLs). EIDLs have a maximum amount of \$2 million and are to be used to pay for expenses that could have otherwise been paid had the disaster not occurred. EIDLs are for up to 30-year terms at an interest rate of 2.75% for nonprofits. EIDLs may be deferred for up to 4 years and they are not eligible for loan forgiveness but



must be repaid. The other thing to note about EIDL is that an applicant may request up to \$10,000 of the amount it has applied for to be given as a grant. In order to receive the money, the organization must certify that it is a private nonprofit organization.

The resources below touch on the Paycheck Protection Program (PPP), Economic Injury Disaster Loans, as well as Reimbursements for “Reimbursable Employers”, Payroll Tax Credits, and the Industry Stabilization Fund. We believe that most of our nonprofit clients will find the PPP, Disaster Loans & Grants, or Payroll Tax Credits most applicable.

### [Analysis of the Coronavirus Aid, Relief, and Economic Security Act \(CARES\) Act](#)

(National Council of Nonprofits, 03/25/2020)

Provides a great overview of each program. Here are some highlights:

- **Paycheck Protection Program (PPP):**
  - Available to entities that existed on February 15, 2020 and nonprofits with 500 or fewer employees and no personal guarantee is required
  - Loan Amount: lesser of \$10M or 2.5 times the average total monthly payroll
  - Loan Use: payroll and associated costs, including health and retirement benefits, facilities costs and debt service
  - Loan forgiveness: Employers that maintain employment for 8 weeks after origination of the loan or rehire by June 30 are eligible (turns loan into a grant)
- **Economic Injury Disaster Loans:** Emergency grants can be received by nonprofits with 500 or fewer employees in as little as 3 days!
- **Employee Retention Payroll Tax Credit:** Refundable tax credit of up to \$5,000 for each employee on the payroll under certain conditions.

### [Nonprofit Guide to the CARES Act \(Including Those Loans You’ve Been Hearing About to Cover Payroll and That Don’t Need to Be Paid Back\)](#)

(Seyfarth, 03/31, 2020)

Provides a greater detail of each program as well as what to expect timewise. Here are some highlights:

- **PPP:** Loans may be forgiven entirely if the borrower limits salary reductions to no more than 25% and maintains staffing levels for 8 weeks after getting the loan
- **Economic Injury Disaster Loans:** interest rate is 2.75% for nonprofits and loans are limited to \$2 million with grants of up to \$10k. Payments can be deferred for up to 4 years.
- **Payroll Tax Credit** is useful for those nonprofits that aren’t getting PPP loans



## [Paycheck Protection Program \(PPP\) Information Sheet – Borrowers](#)

([home.treasury.gov](https://home.treasury.gov))

- **Nonprofits are encouraged to get applications in as soon as possible**
- Eligible nonprofit entities may apply for an EIDL at a local [SBA District Office](#) or online at <https://disasterloan.sba.gov/ela/>
- Note - try your banker first, the SBA does not give money

## [Coronavirus Emergency Loans Small Business Guide and Checklist](#)

(U.S. Chamber of Commerce)

- Covers eligibility, what lenders are looking for, maximum loan amounts, how to calculate payroll costs, and loan forgiveness

## Need Legal Advice?

If you are a PBPO client and have questions regarding the content of this article or need legal assistance, please email us at [info@pbpohio.org](mailto:info@pbpohio.org).

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