

**Loans, Payroll Benefits & Employee Programs**

**to help non-profits survive COVID-19:**

**Guide to Federal Non-Profit Assistance Programs**

Presented by

**Hispanic Federation**

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# Loan Programs

## Economic Injury Disaster Loan (EIDL)

The Economic Injury Disaster Loan is administered by the Small Business Administration and non-profits can apply for up to $2 million of financial assistance. Actual loan amounts are based on amount of economic injury to the organization.

## Key Facts

* Available to non-profit organizations that suffer substantial economic injury as a result of the declared disaster, regardless of whether the applicant sustained physical damage.
* Must have an effective ruling letter from the IRS granting tax exemption under sections 501(c),(d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit organized or doing business under State law, or a faith-based organization
* 500 employees or less
* Interest rate is 2.75% for non-profits
* Two-page application with accompanying documents
* Must be in operation before January 31, 2020
* Can be denied based on credit rating
* EIDL loans are not forgivable

To apply [click here](https://covid19relief.sba.gov/#/)

## EIDL Emergency Advance Grant

The EIDL Emergency Advance is a $10,000 grant available for operating expenses.

## Key Facts

* Advances up to $10,000 within 3 days for the operation of the organization.
* Loan advance will not have to be repaid.
* Religious institutions and certain other non-profits are excluded.
* Organizations can apply through December 31, 2020
* Funding received through Emergency Advance program will be deducted from funds received from participation in the Paycheck Protection Program.

To apply [click here](https://covid19relief.sba.gov/#/)

## Paycheck Protection Program Loan Emergency loan program for federally recognized non-profits and for-profit entities to secure funds to pay staff and operating costs for two months. Eligible for loan forgiveness if certain conditions are met.

## Key Facts

* Advances up to $10,000 within 3 days for the operation of the organization.
* Available to small businesses or federally recognized nonprofit (501(c)3, 501(c)19 or Tribal interest)
* The Loan is processed through local financial institutions. Qualifying non-profits can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.
* Qualifying non-profits can apply for the lesser of $10 million or 2.5 times your average monthly payroll costs for a one-year period prior to the date of applications. **Example: Applications submitted on April 15th must calculate average total monthly payroll for April 15, 2019 – April 15, 2020.**
* **Employee salaries are capped at $100,000 per year for purposes of calculation.**
* **There is a fixed interest rate of 1.0%.** All payments are deferred for 6 months; however, interest will continue to accrue over this period. The full loan will be due in 2 years.
* No collateral or personal guarantee required. Application contains a good faith certification that loan is based on economic conditions and that funds will be used to retain workers and maintain payroll
* No fees to apply!
* Available through June 30, 2020
* If you qualify for both, you can apply for the emergency advance EIDL and PPP; amount awarded through Emergency EIDP will be deducted from PPP Loan. If you received an SBA EIDL loan from January 31, 2020 through April 3, 2020, you could apply to refinance into a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to $10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

## Documentation

* Loan Application (SBA Form 2486)
* Payroll Tax reports
* List of all owners of Applicant with greater than 20% ownership stakes (or authorized officers of the tax-exempt organization)
* Organizational Documents
* Rent/Mortgage Interest Document
* Utility Documentation
* Most recent financial statements or tax returns might be required in certain instances

## Qualifying Costs

Non-profits should use the proceeds from these loans on:

* Payroll costs, including benefits.
* Interest on mortgage obligations, incurred before February 15, 2020. **Cannot be used to pre-pay interest or for principal on a mortgage.**
* Rent, under lease agreements in force before February 15, 2020; and
* Utilities, for which service began before February 15, 2020.

## Qualifying Payroll Costs

* Salary, wages, commissions, or tips (capped at $100,000 on an annualized basis for each employee).
* Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit.
* State and local taxes assessed on compensation.

**Non-Qualifying Payroll Costs**

Payroll costs do not include:

* The compensation of an individual employee in excess of an annual salary of $100,000, prorated for the covered period.
* Taxes imposed or withheld under chapters 21 (FICA), 22 (Railroad Retirement Tax), and 24 (payroll taxes) of the Code.
* Compensation of employees whose principal place of residence is outside of the United States.
* Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.

## Calculating Payroll Costs

The rule lays out a five-step process for calculating payroll costs for purposes of PPP loans:

1. Aggregate payroll costs (see above) for last 12 months.
2. Subtract pay from each employee in excess of $100,000.
3. Divide step 2 total by 12 months to get the monthly average.
4. Multiply step 3 total by 2.5: and then
5. Add any outstanding amount from an EIDL loan received between 1/31/2020 and 4/3/2020, “less the amount of any ‘advance’ under an EIDL COVID-19 loan (because it doesn’t have to be repaid).

## Eligibility Requirements

* In operation on 2/15/20 with paid employees
* 500 or fewer employees
* Must be a charitable non-profit with qualifying federal nonprofit status
* Employees of affiliated non-profits can apply under one application if it does not exceed the cap of 500 employee and depending on the degree of control by parent entity

To apply [click here](https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf)

Click here to find your [local SBA Loan Centers](https://www.sba.gov/local-assistance)

## Forgiveness Provisions

* Borrowers are eligible to have loan amounts completely forgiven to the extent that the amounts borrowed are used for Permitted Uses during the 8-week period after receiving the loan.
* The amount of loan forgiveness may not exceed the principal amount of the loan (**the accrued interest is still owed even if the loan is completely forgiven).**
* Loan forgiveness is subject to reduction if there is a reduction in the number of employees or a reduction in wages through June 30, 2020.
* A reduction in FTE’s between February 15th and April 27th, 2020 is disregarded if the reduction is eliminated by June 30, 2020 for purposes of the reduction in number of employees and/or compensation.
* Compensation Reduction does not apply to any employee who, during any pay period in 2019, wages or salary at an annualized rate of pay in an amount of more than $100,000.
* Loan forgiveness is not automatic. The tax-exempt organization will need to apply to the lender servicing the loan and provide:
  + documentation verifying the number of full-time equivalent employees on payroll and pay rates.
  + state income, payroll, and unemployment insurance filings.
  + documentation, including cancelled checks, payment receipts, transcripts of accounts, or other document verifying payments on covered mortgage and lease obligations and utility payments.
  + certification from an authorized representative that the documentation is true and correct and the amount for which the forgiveness is requested was used for Permitted Uses.
  + and any other documentation the SBA Administrator requires.
* No forgiveness is permitted without providing the above documentation.
* The lender is required to issue a decision on the loan forgiveness application within 60 days of its submission.
* **Note:** Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.

## Example of Loan Forgiveness Calculation

(Double-click on the graphic to open an editable spreadsheet that you can plug your own numbers into)

**SMALL BUSINESS INTERRUPTION LOANS**

Paycheck Protection Program

Estimated Maximum Loan Availability and Forgiveness Amount

\* For seasonal businesses, use the costs incurred during the period February 15, 2019 or, at the election of borrower, March 1 to June 30, 2019.

\*\* A reduction in FTE's between February 15th and April 27th, 2020 is disregarded if the reduction is eliminated by June 30, 2020 for purposes of the reduction in number of employees and/or compensation.

\*\*\* Compensation Reduction does not apply to any employee who, during any pay period in 2019, wages or salary at an annualized rate of pay in an amount of more than $100,000.

NOTE: Yellow highlighted cells represent variables that should be completed with final client data. Filled in amounts are for illustration purposes only.



## Industry Stabilization Fund (Low Interest Loans for Nonprofits with 500 to 10,000 Employees)

The Industry Stabilization Fund (the Fund) has been allocated to “nonprofit organizations” and businesses (other than airlines, air cargo companies, and national security businesses) that have between 500 and 10,000 employees (deemed “mid-sized businesses”). The Treasury Department and the Federal Reserve will implement a special Federal Reserve facility that provides financing to the banks and other lenders that will make these loans. These loans from the Fund may prove beneficial to large nonprofit employers, including hospitals and universities.

## Key Facts

* Will be subject to annualized interest rates of no more than 2% per year.
* No principal or interest is due on the loans for at least the first six months after the loan is made.
* The term “nonprofit organizations” is not defined for purposes of the Fund, so it is unclear whether nonprofits other than those exempt from tax under section 501(c)(3) of the Code are eligible.
* The Treasury Department needs to shall publish procedures for application and minimum requirements for making loans and providing loan guarantees.
* Eligible nonprofit organizations applying for direct loans under this program will be required to certify, among other things, that: the uncertainty of economic conditions makes the loan request necessary to support ongoing operations; funds received will be used to retain at least 90% of the recipient’s workforce, at full compensation and benefits, through September 30, 2020;
* Or the recipient intends to restore not less than 90% of its February 1, 2020, workforce and to restore all compensation and benefits to the workers no later than four months after the termination date of the public health emergency declared by the Secretary of Health and Human Services in response to COVID-19;
* The recipient is created/organized and domiciled in the United States with significant operations and most employees located/based in the United States.
* The recipient will not outsource or offshore jobs for the term of the loan plus an additional two years.
* The recipient is not a debtor in a bankruptcy proceeding.
* The recipient will not abrogate existing collective bargaining agreements for the term of the loan plus an additional two years; and
* The recipient will remain neutral in any union organizing effort for the term of the loan.

## Loan Forgiveness

Unlike the Paycheck Protection Program loans, loans from the Fund are not eligible for forgiveness.

# Payroll Tax Programs

## Employee Retention Tax Credit

Allows nonprofits to apply for a fully refundable credit against employment taxes equal to 50% of the qualified wages paid to employees between March 12, 2020 and January 1, 2021 that are not working because the nonprofit has partially or completely ceased operations.

## Key Facts

* For eligible employers with more than 100 employees, those are wages paid to an employee even though the employee is unable to work due to a full or partial suspension of operations due to a governmental “stay at home” or other order. For eligible employers with 100 or fewer employees, “qualified wages” include all wages paid whether the employer is open for business or subject to a shutdown order. Qualified wages include health plan expenses.
* Credit is limited to $10,000 in the aggregate per employee.
* Up to $5,000 per employee per quarter
* Conditions:
  + experienced a whole or partial shutdown, **and**
  + Experienced a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019.

**Note: Employers receiving the Paycheck Protection Plan Loan are ineligible for the credit.**

## Deferred Payroll Taxes

Qualifying companies will be able to **delay their share of Social Security payroll taxes** to the IRS.

## Key Facts

* Employee share of taxes are still payable
* Non-Profit share of taxes is delayed until Jan. 1, 2021, with 50% owed by the end of 2021 and the other half due Dec. 31, 2022.
* Companies’ share of the Medicare payroll tax will be due as usual.

# Paid Leave Policy

## Key Facts

* Leave available through December 31, 2021
* Applies to businesses with less than 500 employees (including non-profit organizations)
* Businesses with fewer than 50 employees can apply for a waiver based on economic hardship due to school closings or childcare provisions
* Businesses with 500 or more employees are exempt
* Employers face no payroll tax liability

## For an Employee to Receive Paid Sick Leave

* An employee is unable to work remotely or caring for a child whose school is closed or whose childcare provider is unavailable because of coronavirus.
* An employee is in mandatory "shelter in place" due to a state or municipal mandate.
* An employee is ill, quarantined or seeking diagnosis for coronavirus, or caring for a sick family member. (Requires medical verification)
* For employees, up to $511 per day or $5110 for entire paid sick leave period. \*\*
* Two weeks of full pay (up to 80 hours) followed by 2/3 of pay for 10 additional weeks in certain circumstances.

\*\*Note: See [DOL regulations](https://www.dol.gov/agencies/whd/pandemic/ffcra-questions) for other specifications on paid sick leave, family sick leave and other benefits.

# Unemployment Benefits

## Key Facts

* Regular unemployment benefits expanded by 13 weeks
* Includes flat weekly benefit of $600 per week in addition to ordinary benefits and available for up to four (4) months
* The $600 per week benefit ends July 31, 2020
* Expanded eligibility to freelancers (gig economy workers), contract workers, and furloughed employees.
* Immigrants workers with work authorization and social security number may be eligible for benefits (contact local States offices for guidance.)

For more information [click on this link](https://www.dol.gov/coronavirus/unemployment-insurance)