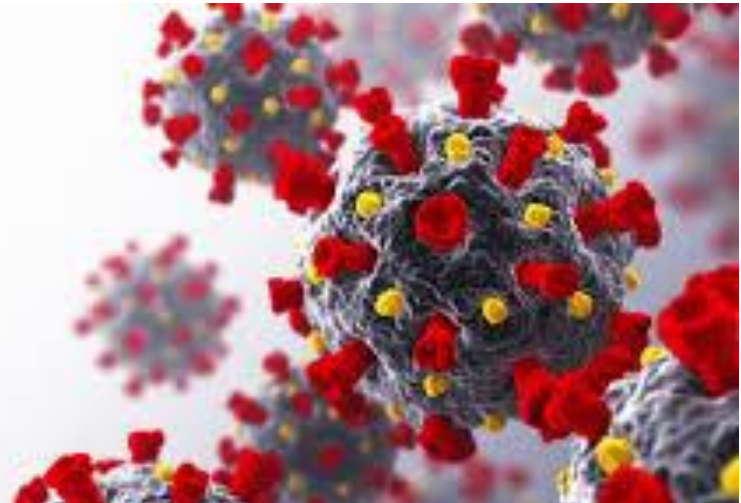




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What's in the New COVID Relief Law for Nonprofits?





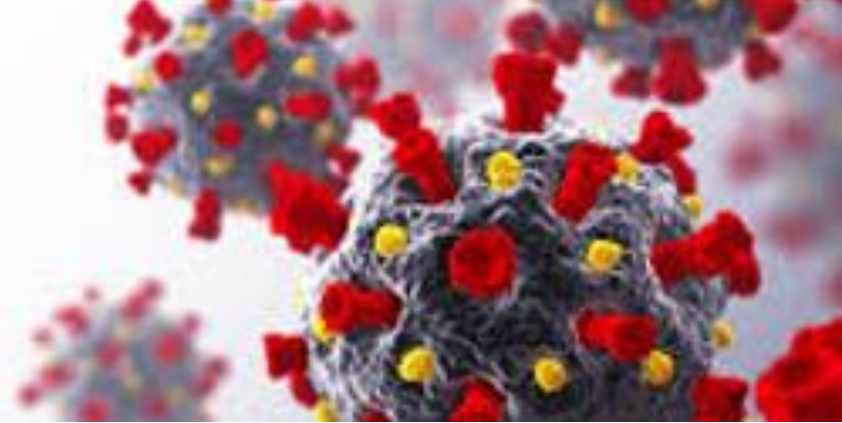
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What's in the New COVID Relief Law for Nonprofits?

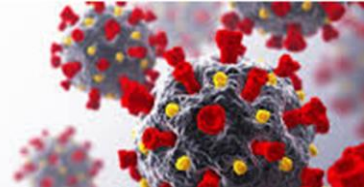
Disclaimer

Our Best Understanding

Federal Guidelines, Interim Rules, procedures still being developed

Not Legal or Financial Advice

What We'll Cover



Overview

Broad Sources of Revenue

1. Paycheck Protection Program and Economic Injury Disaster Loans
2. Save Our Stages
3. Employee Retention Tax Credit
4. Charitable Giving Incentives

Addressing Unemployment Costs

Appropriations and Other Issues

Questions and Answers

Overview

Families First Act (3/19/20)

- Mandated paid leave and refundable payroll tax credits

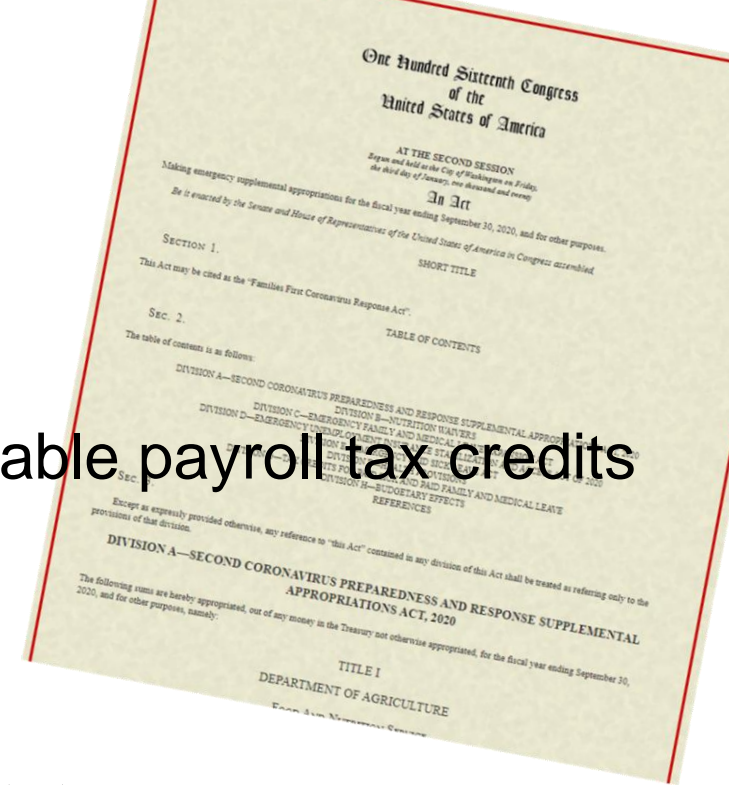
CARES Act (3/27/20)

- PPP, EIDL and advances
- ERTC and industry stabilization
- Coronavirus Relief Fund to the states
- Unemployment coverage
- Above-the-line deduction
- Stimulus payments

PPP Flexibility Act (6/5/20)

Protecting Nonprofits from Catastrophic Cash Flow Strain Act (8/3/20)

Consolidated Approps Act of 2021 (12/27/20)



Overview

Recognize the role of nonprofit advocacy



Urgent Nonprofit Policy Priorities in Response to CARES Act

July 22, 2020



Reimbursing employers are being forced to lay off more employees due to unfair unemployment bills.

Enact 100% federal coverage of UI bills as part of #Relief4Charities in a COVID relief bill.

address growing demand and line charitable deduction and rough 2021.

counting on Congress to pass can continue to meet rising crisis continues.

#Relief4Charities



Today's Presenters

Andrew Marietta

New York Council of
Nonprofits



Marie Ellis

Minnesota Council
of Nonprofits

Heather Noonan

League of American
Orchestras



Pam Yuen

YWCA USA

Steve Taylor

United Way
Worldwide



**Tiffany Gourley
Carter**

National Council of
Nonprofits

EIDL and PPP Round 2 Highlights

Presented by:

Andrew Marietta, VP Regional Development

amarietta@nycon.org

EIDL

Applications being accepted by SBA

- <https://covid19relief.sba.gov/#/>
- Loan program with no forgiveness offered (30 year fixed at 2.75%)
- SBA services loan
- EIDL funds can be used for a variety of purposes
 - Limit was supposed to be up to \$2 million
 - But \$150,000 seems to be an unofficial cap
 - Can be used for payroll, operating, capital, etc
 - Many nonprofits with little to no assets were able to secure a loan (which would have been impossible through a bank)

EIDL Advance Payment

- Grant of up to \$10,000 based on employees (\$1000 per employee)
 - Organizations with no employees were receiving \$1000
 - Funding is directly deposited in the bank account (provided with no notice)
- EIDL Advance Payment funding ran out, but should reopen again for organizations to request (assuming for those that didn't receive funding)
 - Good opportunity for small nonprofits with no staff to possibly secure \$1000
- Provides additional targeted funding for eligible entities located in low-income communities through the EIDL Advance program from Section 1110 of the CARES Act
- Makes entities in low-income communities that received an EIDL Advance under Section 1110 of the CARES Act eligible to receive an amount equal to the difference of what the entity received under the CARES Act and \$10,000.
- Provides \$10,000 grants to eligible applicants in low-income communities that did not secure grants because funding had run out
- \$20 billion allocated for EIDL Grants

PPP Use: Round 1

COVERED

Payroll Expenses (60% Required)

- Cash Compensation
 - Cash compensation includes salaries, wages and commissions (including to furloughed employees), tips, bonuses, hazard pay, paid leave, severance, and housing allowances
- Employer Paid Health & Retirement Benefits
 - Group health benefits includes medical, dental, and vision

- Employer Paid State & Local Payroll Taxes

Non-Payroll Eligible Expenses (40% Maximum)

- Rent & Mortgage Interest, Other Interest
 - Other Interest not eligible for forgiveness
- Utilities (Water, Gas, Electricity, Transp. Internet, Phone)

NOT COVERED

- Excess Wages for Salaries Over \$100k
- Payroll for Employees Permanently Outside US
- Independent Contractor Pay (1099s)
- Employer Portion of Federal Taxes & FICA
- FFCRA Credits for Sick and Family Leave

COVID RELIEF ACT HIGHLIGHT CHANGES APPLY TO 2020 AND 2021:

- **Clarification of Group Insurance Benefits (DBL, Life, etc)**

Added Non-Payroll Eligible Expenses (capped at 40%)

- **Covered operations expenditures**
- **Covered property damage costs**
- **Covered supplier costs**
- **Covered worker protection expenditures**

Loan Forgiveness Applications

3508 Application (full app including FTE ratio and wage reduction penalty with safe harbors)

OR

3508EZ Application (Certify meet the criteria; FTE ratio and wage reduction penalty removed)

OR

3508S Application (simplified app for loans \$50,000 and less; no consideration of FTE ratio or wage reduction)

OR

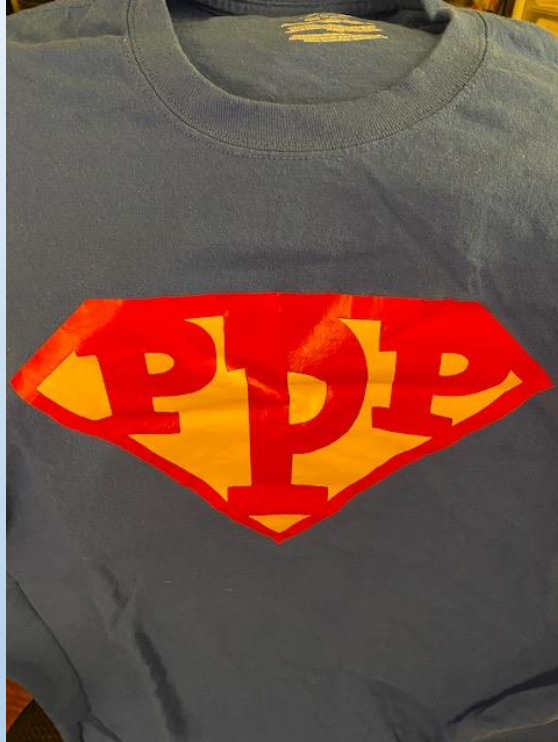
Certification: Attest compliance with one page description of the number of employees retained with PPP loan, the estimated total amount of the loan spent on payroll costs, and the total loan amount. No documentation submitted (but required to retain records for 4 years)

SBA to create form in 24 days (January). Applicable to 2020 PPP first draw loans.

EIDL Advance Payment Update

EIDL Advance Deduction Eliminated

- Repeals section 1110(e)(6) of the CARES Act, which was addressed on the PPP loan forgiveness app (list amount of EIDL Advance)
- EIDL Advance of up to \$10,000 will no longer be deducted from the PPP loan forgiveness
- Any organizations that have already applied for forgiveness and EIDL Advance was deducted will be made whole



Round 2

Eligibility Update

- Already received PPP loan (1st draw)
- Finished spending 1st draw (but not required to have applied for loan forgiveness)
- Have 300 or fewer employees (as compared to 500 or less with Round 1)
- 25% drop in gross receipts in any quarter in 2020 as compared to same quarter in 2019
- 2nd draw PPP maximum is \$2 million
- Eligible entities must be businesses, certain nonprofit organizations (**501C6s are new**), housing cooperatives, veterans' organizations, tribal businesses, self-employed individuals, sole proprietors, independent contractors, and small agricultural co-operatives
- Ineligible entities include:
 - **Organizations that receive a grant under the Shuttered Venue Operator Grant program**
 - **Business or organization that was not in operation on February 15, 2020**

Program requirements are the same: 60% payroll expenses (minimum) and 40% maximum for non-payroll eligible expenses

Applying for the 2nd Draw

- \$284 billion to SBA for Paycheck Protection Program
- 2.5 times average monthly payroll based on choice of 12 months prior to applying for the loan, or 2020 or 2019 (calendar years)
- NAICS lookup <https://www.naics.com/search/>
- 25% reduction in gross receipts identified by Quarter 2020 as compared to same quarter in 2019
 - Can be left blank for loans of \$150,000 or less, but best to fill in
 - Documentation provided when seeking loan forgiveness
 - For loans greater than \$150,000, documentation is required with app

*First draw PPP loans are able to use 2019 or 2020 payroll to calculate their maximum loan amount

Paycheck Protection Program Second Draw Borrower Application Form						OMB Control No.: 3245-0417 Expiration Date: 7/31/2021	
Check One:	<input type="checkbox"/> Sole Proprietor	<input type="checkbox"/> Partnership	<input type="checkbox"/> C-Corp	<input type="checkbox"/> S-Corp	<input type="checkbox"/> LLC	DBA or Tradename (if applicable)	Year of Establishment (if applicable)
	<input type="checkbox"/> Independent Contractor	<input type="checkbox"/> Self-Employed Individual	<input type="checkbox"/> 501(c)(3) nonprofit	<input type="checkbox"/> 501(c)(6) organization			
	<input type="checkbox"/> 501(c)(19) veterans organization	<input type="checkbox"/> Housing cooperative	<input type="checkbox"/> Tribal Business	<input type="checkbox"/> Other			
Business Legal Name						NAICS Code	
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)						Business TIN (EIN, SSN)	Business Phone
						Primary Contact	Email Address
Average Monthly Payroll:	\$	x 2.5 (or x 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000):		\$	Number of Employees (including affiliates, if applicable; may not exceed 300):		
Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities	<input type="checkbox"/> Covered Operations Expenditures			
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures	<input type="checkbox"/> Other (explain):			
PPP First Draw SBA Loan Number:							
Reduction in Gross Receipts of at Least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):		Reference Quarter (e.g., 2Q 2019):				
	Gross Receipts:	\$	Gross Receipts:	\$			

25% Gross Receipts Reduction: Defining

- Gross Receipts meaning tied to Internal Revenue Code Section 6033 for the filing of the 990
- Your Nonprofit's Gross Receipts are related to your accounting method
 - Accrual or Cash
- Consult your CPA for guidance if needed
- 2020 PPP loan is not accounted for in your gross receipts
- Will need to provide documentation when applying for loans over \$150,000
- For loans \$150,000 or less, documentation must be provided by time of forgiveness application

Covered Period Update

- Section 306: Covered Period for Forgiveness
- Borrower can now elect a covered period that falls between 8 – 24 weeks
 - Gives more flexibility to spend the PPP funds
 - Keep in mind salaries at \$100,000 are pro-rated based on covered period
 - Covered period begins on date funds are disbursed or aligned with first payroll (no change)
- Option appears to apply to 1st draw 2020 PPP loans (need confirmation from SBA)
 - Previous covered period options were 8 weeks or 24 weeks before PPP Flexibility Act and 24 weeks after the Act (when loan was received)

Other New Additions

- **Payroll Expenses:** Clarification that group disability and life insurance are eligible payroll expenses with other employer-paid group insurance benefits (health, dental and vision).
- **New Eligible Non-Payroll Expenses**
 - **Covered operations expenditures:** Payment for any software, cloud computing, and other human resources and accounting needs.
 - **Covered property damage costs:** Costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
 - **Covered supplier costs:** Expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
 - **Covered worker protection expenditure:** Personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.

League of American Orchestras

Shuttered Venue Operator Grants:
COVID-19 Relief Update
January 13, 2021

Shuttered Venue Operator Grants

- Sec. 324 Grants for Shuttered Venue Operators = Save Our Stages (SOS)

Page 2124, if you are reading along!

- \$15 Billion

\$2 billion reserved for persons or entities with 50 FTEs or fewer

SBA Webinar: Thursday, Jan. 14, at 3 p.m. EST

- An applicant may have received a PPP forgivable loan in 2020, but must choose whether to **receive** an SOS grant or a PPP loan in 2021.
- Revenue Decline Requirement: 25% decline in **gross earned revenue** in one calendar quarter of 2020, compared to the same quarter in 2019.

Shuttered Venue Operator Grants

Eligible Entities (nonprofit, for profit, government-owned, sole proprietors)

- live venue operator or promoter
- theatrical producer
- live performing arts organization operator
- relevant museum operators
- motion picture theatre operator
- talent representatives

Specifies further ***live event-related*** requirements for each category of eligibility.

May not be more than 2 of the following: Over 500 FTEs, owning or operating entities in more than 1 country, owning or operating entities in more than 10 states.

Exclusions: May not be an issuer of securities listed on the national securities exchange. May not receive more than 10% of 2019 funding from federal sources (excluding disaster relief).

Shuttered Venue Operator Grants

Priority Periods:

- First 14 days: **Revenue** decline of 90% or more from April 1 to December 31, 2020, compared to the same time period in 2019.
- Second 14 days: **Revenue** decline of 70% or more.
- Relief funds already accessed through the CARES act will not count as revenue for this calculation, and seasonal organizations will use an alternate time period for the comparison.
- 20% of funds will be reserved for availability after the conclusion of the priority period.

Shuttered Venue Operator Grants

Eligible Costs:

- Grants may be used for costs incurred from March 1, 2020 through December 31, 2021 (and supplemental grants may be used from March 1, 2020 to June 30, 2022).
- Allowable expenses include payroll, including payments to independent contractors; rent; fixed costs like mortgage and debt payments; as well as maintenance expenses, administrative costs, and other expenses.

Grant Amount:

Applicants will calculate their grant amount based on 45% of an entity's **gross earned revenue** in 2019, capped at \$10 million per recipient.

Employee Retention Tax Credits

- May access both ERTC and PPP as long as both are not used for the same wages.
- Retroactive access for qualifying wages in 2020.
- Extended through July 1, 2021 and significantly expanded, raising the credit from 50% to 70% of qualified wages.
- **2020:** 50% of up to \$10,000 in wages/year per employee
Full/partial suspension or 50% gross receipts decline
- **2021:** 70% of up to \$10,000 in wages/quarter per employee
Full/partial suspension or 20% gross receipts decline

Awaiting further Treasury guidance!

Charitable Giving Incentives

Expanded Tax Incentives:

- Nonitemizer charitable deduction extended to **\$300/\$600 through 2021**
- Itemizer deduction limit raised to allow cash donations up to **100% of income**
- Corporate donations limit raised to **25% of income**

If you promote the deduction, you will raise more dollars!

Data shows:

- Tax policy influences giving, even for small donors
- The tax reform law eliminated some incentives and reduced giving

Addressing Unemployment Costs



Marie Ellis
Public Policy Director

Emergency Grant Appropriations

COVID-19 Stimulus Legislation

- The Nonprofit sector continues to advocate for additional relief to address immediate funding, staffing, and safety crises caused by the COVID-19 pandemic.
- The Nonprofit State Pass-through Committee (co-chaired by National Council of Nonprofits) continues to work to ensure that nonprofits are able to continue providing critical **child care, housing, food & nutrition assistance, and domestic violence services** in communities across the country

Spotlight Survey of YWCAs: Child Care

Between March – August 2020:

- **75% of YWCA child care programs closed**; many are still in varying states of closure or partial closure
- **58% of child care facilities** reported funding/revenue decreases

Emergency Grant Appropriations

(U.S. Dept. of Health & Human Services)

- **Childcare Development Block Grant (CCDBG)**

To enable childcare and early education programs to maintain critical operations, including meeting emergency staffing needs and ensuring first responders and health care workers can access child care while they respond to the pandemic

- **Head Start:** To meet emergency staffing needs

<u>WHAT WE ASKED FOR</u>	<u>WHAT WE GOT</u>
\$50 billion for CCDBG	\$3.5 billion CARES Act funding \$13.5 billion Dec 2020 Emergency Funding
Increased support for Head Start	\$750 million CARES Act funding \$250 million December 2020 Emergency Funding
Hazard pay for child care providers	

Spotlight Survey of YWCAs: Domestic Violence Service Providers

Between March 31 through August 31, 2020:

- **69% of YWCAs** surveyed reported an **increase in demand for domestic violence services**
- **64% of YWCAs** surveyed reported an **increase in demand for domestic violence shelter**
- **Overall increased calls placed to the Domestic Violence Hotline**

Emergency Grant Appropriations (U.S. Dept. of Health & Human Services)

- **Family Violence Prevention Services Act (FVPSA)**

To support families during this uncertain time and to prevent and respond to family and domestic violence, including offering shelter and supportive services to those who need it

WHAT WE ASKED FOR

\$100 million for FVPSA

Hazard pay for domestic violence and sexual assault providers

WHAT WE GOT

\$45 M + \$2 M for Hotline from CARES Act funding

\$0 in emergency grant funding in Dec 2020 package; see omnibus appropriations

Emergency Grant Appropriations (U.S. Dept. of Justice)

- **Violence Against Women Act (VAWA)**

To support safe and secure housing, crisis hotlines, counseling, court assistance and other protective programs as a result of the increased cases of domestic violence reported during the COVID-19 pandemic

<u>WHAT WE ASKED FOR</u>	<u>WHAT WE GOT</u>
\$140 million for Violence Against Women Act (VAWA) services and programs	*See FY21 annual omnibus/government funding Appropriations*

Emergency Grant Appropriations

(Dept. of Housing & Urban Development)

Goals: To enable nearly 1,240 states, counties, and cities to respond to the economic and housing impacts caused by the pandemic, including expansion of community health facilities, child care centers, food banks, and senior services

<u>WHAT WE ASKED FOR</u>	<u>WHAT WE GOT</u>
Support for Transitional Housing (Short & Long-term)	\$4 billion for Emergency Solutions Grant (ESG) through the CARES Act
Increasing support for Community Development Block Grant (CDBG)	\$5 billion for CDBG through the CARES Act
	\$25 billion for rental assistance
	Nation-wide eviction moratorium for nonpayment of rent extended until Jan. 31

Emergency Grant Appropriations (U.S. Dept. of Agriculture)

Supplemental Nutrition Assistance Program (SNAP)

To ensure all Americans, including seniors and children, receive the food they need; additional assistance to help food banks meet increased demand

<u>WHAT WE ASKED FOR</u>	<u>WHAT WE GOT</u>
Increase the individual monthly SNAP support	<p>\$15.5 billion from CARES Act + \$8.8 billion to ensure children receive meals while school is not in session</p> <p>Increase monthly SNAP benefit levels by 15% and \$100 million for state administrative costs from Dec 2020 Omnibus</p>
	<p>\$450 million for Emergency Food Assistance Program (TEFAP) through the CARES Act</p> <p>\$400 million in Emergency Grants through December 2020 bill</p>

Emergency Grant Appropriations (Infrastructure)

- **\$7 billion for broadband internet programs**

To ensure students and community leaders can continue to provide and access services during the pandemic

Actions & Next Steps

- Additional support to help nonprofits meet the increasing demand
- Bipartisan call to **swiftly** deploy resources to nonprofits across the country to get people back to work and make sure they are able to:
 - meet the needs of the vulnerable populations they serve
 - retain their employees
 - scale their service delivery
 - put newly unemployed people back to work serving their communities

Contact Information:

Pam Yuen

Government Relations Director

YWCA USA

E: pyuen@ywca.org P: 202-559-7022



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Questions