

MARCH 26, 2020
2:30 P.M. MDT

TWO THINGS TO KNOW REGARDING THE CARES ACT (SO FAR)

GRANTS AND LOANS

The CARES Act that passed in the Senate very late on March 25, 2020 (and still needs to pass the House), includes provision for Small Business Administration (SBA) 7(a) loans for nonprofit organizations that existed as of March 1, 2020 and with less than 500 employees. These loans can be up to \$10m with the potential for loan forgiveness, related to maintaining employees. The loans would be available to use for payroll and associated costs, including health insurance premiums, facilities costs, and debt service.

The potentially good news for Citygate Network members is that SBA 7(a) loans, not typically available for nonprofits, would be expanded to include nonprofits. “Nonprofit” is defined as an organization as described in Internal Revenue Code Section 501(c)(3) and is tax-exempt.

The CARES Act does not say that religious organizations are excluded. In fact, the language of the act says broadly “any business concern, nonprofit organization, veterans’ organization, or tribal business concern described in 31(b)(2)(C) shall be eligible.” There is no limitation. While this has been affirmed verbally, we of course, are looking for final legislation and guidance.

We anticipate direction from the SBA on the loans. This will likely first appear in an announcement and then information and links through the website. While the SBA normally works through lenders, it is anticipated and hoped they will instill a process for applying that minimizes system overrun.

In addition to other applicable provisions, the Senate-passed CARES Act also provides for an Economic Injury Disaster loan of up to \$10,000 that is supposed to be available within three days of application. That application and process will be released once the legislation has passed and is signed into law.

CHARITABLE CONTRIBUTION INCENTIVE

While the Lankford Amendment, which would have come closer to restoring the charitable contribution incentive that went away in the Tax Cut and Jobs Act, was not attached to the bill, the version of the CARE Act that passed in the Senate does include the original above-the-line deduction (universal or non-itemized deduction that applies to all taxpayers) for total charitable contributions of up to \$300. The incentive applies to contributions made in 2020 and would be claimed on tax forms next year. The bill also lifts the existing cap on annual contributions for those who itemize, raising it from 60 percent of adjusted gross income to 100 percent. For corporations, the bill raises the annual limit from 10 percent to 25 percent. Food donations from corporations would be available to 25 percent, up from the current 15 percent cap.

Unfortunately, the above-the-line deduction for total charitable contributions, from what we are reading and hearing, is not permanent. But the fact that it did get placed in the bill is a sign that Congress is paying attention to this important need. Keep in mind that there are three separate bills in the house, which we discussed at our DC form, that are getting wide bipartisan support and could be attached to the House version of the bill, but more likely will be brought up later. This is a step in the right direction.

We will send more information when the president signs the CARES act into law.