



COVID-19 Legislation- Phase 3

April 1, 2020

WHAT PASSED

Phase III - \$2 trillion stimulus package

- Direct payment to families
 - Up to \$75,000 a year would receive a \$1,200 payment and a couple filing jointly could receive \$2,400 and \$500 per child if they make up to \$150,000. Individuals who make up to \$99,000 and couples making up to \$198,000 would receive a little less.
- \$30 billion for education
- \$8.8 billion for Child Nutrition Programs including:
 - National School Lunch Program, the School Breakfast Program, the Special Milk Program, the Child and Adult Care Food Program, and the Summer Food Service Program are included.
- \$3.5 billion for the Child Care and Development Block Grant (CCDBG)
- \$750 million for Head Start
- \$25 million for the Runaway and Homeless Youth (currently \$113 million) programs.
- \$45 million for the National Domestic Violence Hotline and \$45 million for the Family Violence Prevention and Services.
- \$1.03 billion to the Indian Health Service to support tribal health care system response efforts.
- \$100 million more for the USDA Food Distribution Program for American Indian Reservations.
- \$453 million to assist tribes through the Bureau of Indian Affairs.
- \$69 million to help tribal schools, colleges and universities through for the Bureau of Indian Education.

WHAT PASSED

- \$250 million for Community Behavioral Health Clinic Expansion Grant program, which includes \$15 million allocated to tribes, tribal organizations, or health or behavioral health service providers to tribes. This \$250 million allocation includes at least \$50 million for suicide prevention programs.
- \$900 million for the Low-Income Home Energy Assistance (LIHEAP) program. A block grant that states use to help low income and elderly populations pay energy bills both in cold and hot weather.
- Elementary and Secondary Education funding at \$13.5 billion in formula funding directly to states, \$14.25 billion in Higher Education funding to institutions of higher education for student support and to support institutions, and State Flexibility Funding of \$3 billion for both K-12 and higher education.
- \$5 billion for the Community Development Block Grant (CDBG), under, the federal housing department provides communities and states with funding to provide infrastructure and some human services funding.
- Federal loan hold for six months- loan will stop accruing interest. Consider continuing to pay these loans if possible while no interest in accruing.

WHAT PASSED

- Lowers the amount that employers must pay for paid sick leave and family leave under the Families First Coronavirus Response Act to the amounts covered by the refundable tax credit (\$511 per day for sick leave, \$200 per day for family leave).
 - Employers will be reimbursed through a refundable tax credit that counts against employers' payroll tax.
- Child Welfare Services: \$45 million for grants from ACF to states to support the child welfare needs of families and to help keep families together.
 - **title IV-B part 1** (currently funded at \$269 million), the flexible child welfare block grant without a match requirement with \$7 million for federal administrative costs. The new funds can be used directly or through reimbursement for expenses incurred to prevent, prepare for, and respond to coronavirus pandemic, domestically or internationally, now or earlier during the pandemic.
- Around \$600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance until July 31st. Expand Unemployment Insurance to part-time and self-employed workers. Incentives for states to eliminate waiting periods for enrollment of UI and an additional 13 weeks (on top of 26 weeks) of federal funded unemployment benefits are also included.
 - Only reimburses self-funded nonprofits for half of the costs of benefits provided to their laid-off employees.
 - For more info, [click here](#).
- Runaway and Homeless Youth Program: \$25 million for additional immediate assistance to current programs providing critical services and housing for runaway and homeless youth.

SMALL BUSINESS LOANS

- Eligibility for Both - Organizations with 500 employees or less (including 501c3 orgs). Want to know if you qualify as an organization of 500 employees or less?

[Click here for guidance.](#)

- 2 Types of Loans:
 - SBA Economic Injury Disaster Loans (EIDL)
 - SBA 7a Forgivable Loans

*Likely, you cannot participate in both programs

SMALL BUSINESS LOANS- ECONOMIC INJURY DISASTER LOANS

- Available Now
- [Apply: through Small Business Administration website](#)
- Loan size: up to \$2 million total
- In a few days (they are updating website), you can apply for a \$10,000 cash advance on an economic injury loan.
 - Once that process is up and running, you should be able to receive the \$10,000 within 3 days.
- This amount does not need to be repaid.
 - Interest Rate: 2.75%
 - Timing: May take several weeks to process applications
 - If you apply and decide not to take the loan, you can back out before you sign on (might be worth applying, even if undecided)

SMALL BUSINESS LOANS – 7A LOANS

- \$350 billion available
- Timing: Money expected to be available within a few weeks. SBA said process in place by end of this week, as early as Friday
- How to Apply: Apply through your local government-backed lenders, NOT through SBA. Bill waives requirement to show you can't obtain credit somewhere else.
- Lenders should be an SBA 7a lender, FDIC backed institutions, credit unions who have background in this area.
- Medicaid Exclusion Removed: Originally, the bill included a provision that excluded nonprofits who receive Medicaid funding from accessing this program.
- Loan Amount: The lesser of \$10 million or 2.5 times the average total monthly payroll (including benefits) costs from the one-year period prior to the date of application.
- Interest Rate: max is 4%

SMALL BUSINESS LOANS – 7A LOANS

- Loan Forgiveness: Employers that maintain employment for the eight weeks after the origination of the loan, or rehire employees by June 30, would be eligible to have their loans forgiven, essentially turning the loan into a grant.
- Amounts forgiven cannot exceed principal amount on loan. Loan forgiveness is available for the principal portion of loan used for payroll costs, interest on mortgage, rent and utilities. The forgiveness amount will be reduced by the ratio of full-time equivalent employees during 2020 compared to 2019.
- In case of reduced headcount, lenders may reduce amount of forgiveness for businesses that lay off employees during first eight weeks following the loan.
- If wages of employees who earn less than \$100,000 a year are reduced, the level of forgiveness will be reduced. (wages of over \$100k are not covered under loan)
- Businesses that have let employees go before accepting the loan will not be subject to penalties.
- If those businesses rehire employees after accepting the loan, they'll receive additional credit to cover wages.

SMALL BUSINESS LOANS – 7A LOANS

Available Uses:

- Loan Use: Loan funds can be used to make payroll and associated costs, including health and retirement benefits, facilities costs, and debt service.
- Requirements:
 - Provides lenders the authority to make determinations on a borrower's eligibility and creditworthiness without going through SBA regular channels.
 - Eligible borrowers will need to make good faith certification that the loan is necessary due to uncertainty of current economic conditions caused by COVID-19.

SMALL BUSINESS LOANS – 7A LOANS

- What You Can Do Today:
 - Reach out to your government backed lender immediately to discuss next steps and start lining up paperwork.
 - For an overview of loan eligibility and ways to start preparing now to utilize these loans- [click here for helpful overview from the US Chamber of Commerce.](#)
 - Be clear on what you need to do in coming months in order to get loan forgiveness before you sign up for this.
 - Look at this [sample form](#) to see what will be required of your organization to apply.
 - Here is some [additional info](#) about small business loans on the SBA website.

MID-SIZE ORGANIZATION LOANS

Emergency Stabilization Fund or Treasury Industry Stabilization Loan Program

- Nonprofit organizations with 500-10,000 employees are eligible
- Timing: Within about 7-10 days Treasury to issue more information & guidance
 - Interest Rate: 2%
 - Payments: Loans will not accrue interest or require any payments for the first six months of the term.
 - Eligibility: Borrowers must demonstrate that alternative financing is not reasonably available to them.
- Funds received must be used to retain at least 90 percent of the recipient's workforce, with full compensation and benefits through Sept 30, 2020.
- Loan Size: The law does not include a cap on loans, but we expect that the regulatory process/lenders will issue some restrictions on that.

EMERGENCY RETENTION PAYROLL TAX CREDITS

- You cannot get this tax credit if you get 7a loan.
- Refundable payroll tax credit of up to \$5,000 for each employee on the payroll, when certain conditions are met (such as operations are fully or partially suspended due to COVID-19 shutdown).
- The entity had to be an ongoing concern at the beginning of 2020, experienced a whole or partial shutdown, and had seen a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019.
- The availability of the credit would continue each quarter until the organization's revenue exceeds 80 percent of the same quarter in 2019.
- For tax-exempt organizations, the entity's whole operations must be taken into account when determining eligibility.
- Notably, employers receiving Paycheck Protection Program loans would not be eligible for these

DELAY OF EMPLOYER PAYROLL TAX

- Payments for employer payroll taxes would be delayed.
- Fifty percent of employment taxes for 2020 are due by December 31, 2021 and the remaining 50 percent are due by December 31, 2022.
- *The delay would not apply to an employer that received loan forgiveness of an SBA 7(a) loan.*

CHARITABLE GIVING

- \$300 universal deduction for all taxpayers for cash contributions made in 2020 and claimed on 2020 Tax Forms. Donations to 509(a)3 and donor advised funds do not qualify.
- Lifts existing cap on annual contributions for those who itemize, from 60% to 100% of Adjusted Gross Income.
- Required Minimum Distributions (RMD's) from 401(k)s and IRAs for retirees beginning at age 70 one-half will receive a one-year suspension of required distribution for tax year 2020. Distributions from inherited 401(k)s, IRAs or Roth IRAs can also be suspended in 2020.
- For corporations, CARES raises annual cash gift limit from 10% to 25% of the corporation's taxable income.
- Corporate donations of “apparently wholesome” food donations are increased from 15% cap to 25% cap.
- Donations to 509(a)3 and donor advised funds do not qualify.

CONCLUSION

- Please talk to your lender, etc. if you are interested in any of these opportunities.
- For a quick rundown of loans and charitable giving in this legislation, [click here](#) and [click here](#).
- For guidance/questions on specifics of this legislation, reach out to our team.
- The TACFS team will continue updating you through our newsletter and member calls as we are made aware of additional guidance. Please reach out to us with additional questions or clarification- we are here to help!