



STIMULUS OVERVIEW

Below are reported provisions likely to be included in the latest, approximately \$2 billion **stimulus bill**, along with some **resources for small businesses (organizations)**.

- Typically to qualify as small you need to have 500 or fewer employees, although that threshold can change for various programs.
- The bill has passed the Senate and will hopefully pass the House, without amendment, and be signed into law by the President later this week.
- Note that it will take the Administration probably several weeks, in some instances, to work out the details, particularly for the new programs.

Key Organization Support Provisions

- **Delays payroll tax payments for employers:** Employers will be able to delay the payment of their 2020 payroll taxes until 2021 and 2022, leading to approximately \$300 billion of extra cash flow for businesses.
- **Social Security payroll tax deferment:** Employers would also be able to defer payment of 6.2% of Social Security payroll taxes.
- **Employee retention payroll tax credit:** Companies of any size may be eligible for a 50% credit on up to \$10,000 of wages paid to those employees (or a total of \$5,000 per employee) when certain conditions are met (*Section 2301*).
 - The provision provides a refundable payroll tax credit for 50 percent of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year.
 - This applies to self-funded non-profits (*Section 2103*).
 - The entity had to be an ongoing concern at the beginning of 2020 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% of the same quarter in 2019.
 - For tax-exempt organizations, the entity's whole operations must be taken into account when determining the decline in revenues.
 - Notably, employers receiving emergency SBA 7(a) loans would not be eligible for these credits.

- The credit is based on qualified wages paid to the employee.
 - For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above.
 - For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.
 - The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee.
 - The credit is provided for wages paid or incurred from March 13, 2020, through December 31, 2020.
- **Economic Injury Disaster Loans (EIDL):** This is an existing program that provides loans of up to \$2 million at an interest rate of 2.75% for nonprofits and companies (*Section 1110*).
 - These loans are available to businesses/organizations that need financial support during these difficult times to pay fixed debts, payroll, accounts payable, and other bills that can't be paid because of the disaster's impact.
 - Eliminates creditworthiness requirements and appropriates an additional \$10 billion to the EIDL program so that eligible nonprofits and other applicants can get checks for \$10,000 within three days.
- **Federal money for business loans:** \$454 billion is expected to be made available for loans, loan guarantees, and investments used to leverage Federal Reserve loans.
- **Easy for private business loans:** Expected to have a provision to make it easier for banks to provide the resources businesses need.
- **Extended business loss carryover:** Businesses will be able to carry back losses from 2018, 2019, and 2020 to the previous five years, which will allow businesses access to immediate tax refunds. In other words, for those businesses that had tax liabilities (paid taxes) at any point during the last five years, they can now use any losses from this and the previous two years to offset those liabilities and by refiling their taxes, get the amount paid in those years, that is now able to be offset by the losses, back as rebates.

Small Business Only

*Note: Nonprofits are included!

- **Small business loans with payroll protection protection:** Creates a new Emergency Small Business Loan program within the Small Business Administration (SBA) 7(a) loan program of \$367 billion for a new “paycheck protection program” for small employers, self-employed

individuals, and “gig economy” workers. **This, in essence, turns the loan into a general operating support grant** (See Title I, Section 1102 of the bill).

- The “Paycheck Protection Program” would provide eight weeks of cash-flow assistance through 100% federally guaranteed loans to small employers who maintain their payroll during this emergency.
 - Provides funding for special emergency loans of up to \$10 million for eligible nonprofits and small businesses, permitting them to cover costs of payroll, operations, and debt service, and provides that the loans be forgiven in whole or in part under certain circumstances (Section 1102).
- Eligible borrowers: Available to entities that existed on March 1, 2020, and had paid employees.
 - Nonprofit Eligibility: Available for charitable nonprofits, 501(c)(3), exempt from taxes under 501(1), with 500 or fewer employees (counting each individual – full time or part-time and not FTEs). The final bill does not include a provision in earlier drafts that would have disqualified nonprofits that are eligible for payments.
 - Also 501(c)(19) and Tribal businesses
- Loan amounts: Maximum of \$10 million (a factor of the average monthly payments by an applicant for payroll, mortgage payments, rent payments, and other debt obligations during the one-year period before the date on which the loan is made).
 - The size of the loans would be tied to an applicant’s average monthly payroll; mortgage, rent, and utility payments; and other debt obligations over the previous year.
 - See pages 17-19 of the bill for this calculation
- Uses of loan:
 - Paid sick, medical, or family leave
 - Costs related to the continuation of group healthcare benefits during periods of leave
 - Employee salaries (up to \$100,000 a year of employees salary)
 - Mortgage payments
 - Any other debt obligations
 - NOTE: Qualified sick leave wages under Sections 7001 and 7003 of [Public Law 116-127](#), Families First Coronavirus Response Act are not eligible for loan forgiveness
- Loans would be forgiven if employers maintain their payroll during the covered period (March 1, 2020 – June 30, 2020) (See Title I, Section 1106 of the bill).
- Reported to be retroactive to February 15 to help bring workers who have been laid off back onto the payroll.
- SBA application fees would be waived.
- No personal guarantees or collateral will be required for these loans.

- **Debt relief:** For six months, SBA is required to pay all principal, interest, and fees for six months on all existing SBA loan products, including 7(a), Community Advantage, 504, and Microloan programs.
- **Timely:** SBA is expected to be told to enact these programs with regulations no later than 15 days after the Act is signed into law.

Taxes & Individual Funding

- **Individual checks:** A one-time check of \$1,200 per individual and \$500 per child. These amounts will be reduced for higher-income earners, starting at \$75,000 for individuals, \$112,500 for head of household, and \$150,000 for married couples (no checks for those earning over \$99,000).
 - Checks are expected for even those without current tax liabilities, which is different from where things started at the beginning of negotiations.
- **Retirement accounts changes:**
 - Mandatory minimum distributions will be suspended for 2020, allowing older Americans that are subject to mandatory minimum distributions from their retirement accounts to be able to keep their capital invested instead of being forced to cash out to draw on that capital without penalty.
 - Similarly, the bill is expected to waive the 10% penalty on Coronavirus-related early distributions from 401(k)s and IRAs, which applies to distributions made at any time during 2020.
- **Student loan relief:** Students with federal loans can suspend payments until September 30, interest-free. Students who have to drop out of school because of the virus also don't have to pay loans for that time.

Health

- **Telehealth:** Expecting to see a significant expansion of telehealth by allowing patients to see doctors with whom they don't already have a relationship, connecting folks on home dialysis with providers, and allowing federally qualified health centers and rural health centers to participate.
- **Use of health accounts:** Use of all tax-favored health care accounts, like HSAs and FSAs, to buy over-the-counter medicines tax-free without a prescription. Also, high deductible health care plans with HSAs will now be able to provide coverage pre-deductible for telehealth services.

- \$425 million for Substance Abuse and Mental Health Services Administration (SAMHSA).
- U.S. Department of Education mental health services funding as part of its \$30.75 billion.

Other

- **Charitable giving incentive:** Includes a new above-the-line deduction (universal or non-itemizer 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 (*Section 2204*).
 - The bill also lifts the existing cap on annual contributions for those who itemize, raising it from 60% of adjusted gross income to 100%.
 - For corporations, the bill raises the annual limit from 10% to 25%. Food donations from corporations would be available to 25%, up from the current 15% cap (*Section 2205*).
- **Student loans:**
 - Defers payments for federally owned student loans for six months, through September 30.
 - Employers can provide a student loan repayment benefit to employees on a tax-free basis.
 - Under the provision, an employer may contribute up to \$5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The \$5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer under current law. The provision applies to any student loan payments made by an employer on behalf of an employee after the date of enactment and before January 1, 2021.
- **\$150 billion for state and local governments:**
 - Plus \$30 billion for the Disaster Relief Fund to provide financial assistance to state, local, tribal, and territorial governments, as well as private nonprofits providing critical and essential services.
 - Includes programs such as SNAP, Child Nutrition Programs, Child Care and Development Block Grants, and Head Start.
 - \$13.5 billion in stabilization fund money which can be used to provide K-12 students internet connectivity and internet-connected devices.
 - Most of the funds will go directly to schools via formula, while \$3 billion will go to governors to be distributed.

- \$25 million for rural development to support "distance learning."
 - \$100 million in Project SERV grants to help clean and disinfect schools, and provide support for mental health services and distance learning and other planning and measures taken for prolonged closures.
 - \$5 million for health departments to provide guidance on cleaning and disinfecting schools and day-care facilities.
- **College aid:** \$14.250 billion will be available for higher education emergency relief for institutions of higher education to prevent, prepare for, and respond to the Coronavirus.
 - Funds may be used to defray expenses for institutions of higher education, such as lost revenue, technology costs associated with a transition to distance education, and grants to students for food, housing, course materials, technology, health care, and child care.
- Huge changes to the unemployment insurance system.
 - Direct aid for hospitals and other health care providers.
 - **Industry Stabilization Fund:** Assistance for air carriers and other targeted industries. No loan forgiveness (*Section 4003*).
 - Creates a loan and loan guarantee program for industries like airlines to keep them solvent through the crisis.
 - It sets aside \$425 billion for “eligible business” which is defined as “a United States business that has not otherwise received economic relief in the form of loans or loan guarantees provided under” the legislation. It is expected, but unclear, whether charitable nonprofits qualify under that definition for industry stabilization loans.
 - Mid-sized businesses, including 501(c)(3) nonprofits, that have between 500 and 10,000 employees are expressly eligible for loans under this provision.
 - There is some confusion on whether 501(c)(6) organizations are eligible.
 - Although there is no loan forgiveness provision in this section, the mid-size business loans would be charged an interest rate of no higher than 2% and would not accrue interest or require repayments for the first six months. Nonprofits accepting the mid-size business loans must retain at least 90% of their staff at full compensation.
 - Gives the Secretary of Education waiver authority for certain provisions of the Elementary and Secondary Education Act (ESSA) that schools would otherwise have to comply with.
 - **Amendments to the New Paid Leave Mandates:** Lowers the amounts that employers must pay for paid sick and family leave under the [Families First Coronavirus Response Act*](#) (enacted March 19) to the amounts covered by the refundable payroll tax credit – i.e., \$511 per day for employee sick leave or \$200 per day for family leave.

- \$25 billion for transit systems.

Legislative summaries by National Council of Nonprofits:

- A section-by-section for [unemployment insurance and tax policy](#)
- A section-by-section for [health policy](#)
- A section-by-section for [appropriations](#)
- A section-by-section for [banking policy](#)

SMALL BUSINESS RESOURCES

Friday, March 27 – Webinar: Small Business Development Roundtable will be hosting a webinar on small business relief efforts. To register and for more information:

<https://register.gotowebinar.com/register/2828954763587844877>

[Daily tracker of financial assistance for small businesses at national, state, and municipal level](#)

[Small business relief tracker: funding, grants, and resources for small businesses](#)

[List of small business relief programs](#)

Contact:

- [National, regional, and district offices and loan guaranty centers](#)
- [Local SBA office locator](#)
- [List of all SBA offices across the country](#)

Other info:

- [Information on SBA loan programs](#)
- [Federal, State, Local, and Private Coronavirus Loan Resources](#)
- [SBA Disaster Loan Program](#)
- [SBA Disaster Assistance press release](#)

State-Specific Resources:

- [Alabama](#)
- [Arkansas](#)
- [California](#)

- [California Resources for Coronavirus Impact](#)
- [Delaware](#)
- [Florida](#)
- [Georgia](#)
- [Illinois](#)
- [Iowa](#)
- [Kansas](#)
- [Louisiana](#)
- [Maryland](#)
 - [Maryland SBA website](#)
- [Massachusetts](#)
- [Michigan](#)
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- [Washington](#)

SBA Disaster Relief (For Economic Injury)

The U.S. Small Business Administration is offering designated states and territories low-interest federal disaster loans of up to \$2M for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).

Below is a brief outline of what we know about the program, with links and contact numbers for resources with more information.

The program:

- \$50B of loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).
- The program will be administered through SBA's disaster loan program, which is primarily set up to offer loans after natural disasters in targeted geographies (e.g. post-Hurricane Katrina, Sandy, etc). The advantage of this approach is that it will be easier to get the

program up and running quickly by making it part of an existing program with already established processes. There may be some challenges, however, as they utilize a program structured for one purpose and apply to a different set of circumstances.

- Loans up to \$2M per small business. Proceeds can be used in a variety of ways: paying off fixed obligations, A/P, payroll, other costs.
- Low interest – 3.75% for business. The term of the loan will be set on a case by case basis. Up to 30 years.
- Details of the program are still being worked out.
 - Typically, SBA requires a “credit elsewhere” test, i.e. the business has tried to secure a loan elsewhere, but was turned down. It’s not clear yet what, if anything, SBA will require in this program.
 - It’s not clear yet how what requirements SBA will put forth to determine that the impact of the COVID-19 is big enough to warrant the loan.
- A program overview can be found [here](#).
- For additional information, please contact the SBA disaster assistance customer service center. Call 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.

Who qualifies:

- The company must be in a state or territory from which the governor has applied to be designated a disaster area for purposes of this program. SBA identifies those areas for which it is currently accepting applications. <https://www.sba.gov/disaster-assistance/coronavirus-covid-19#section-header-1>. Even if geography is not currently listed, it is highly likely that the geography is in the process of submitting its request and it would potentially make sense for companies to do their homework and prepare materials so that it is ready to go once a designation is finalized.
- Will be limited to companies suffering substantial business impact due to COVID – 19 (see the earlier point –not clear how SBA will measure this)
- Meets SBA size standards. SBA has detailed rules in place to make sure larger companies aren’t trying to take advantage of a program intended for small businesses. These requirements will include:
 - Company size by financials or employee base. The general rule is companies with up to 500 employees could qualify, but requirements vary by industry. The resources below can help individual companies clarify that they meet the size standard for their specific industry.
 - Affiliation. These are a complex set of rules that look at the underlying ownership of the company to determine how the small business is affiliated with other companies. In an extreme example, if a small company was owned by a large company, then the subsidiary would not qualify. As a general rule, if a private equity firm has more than 50% ownership of a company, the company may not qualify. The precise determination will depend on the individual facts and circumstances. The resources below can help individual companies evaluate these rules as well.

Process:

- [General guidance on the process for applying for a disaster loan \(not COVID-19 specific\)](#)
- [Application form and filing requirements](#)

For more help:

Companies should reach out to SBA related resources in their state:

- SBA has a network of district offices around the country that are positioned to help. They will likely be the ones most up to date on what is happening with this specific program. <https://www.sba.gov/local-assistance/find/?type=SBA%20District%20Office&pageNumber=1>.
- Small Business Development Centers (SBDCs). These are independent organizations around the U.S. funded by SBA to support local small businesses. <https://www.sbdnet.org/find-your-localsbdc-office>. They should have experience with most SBA programs.