

THE CARES ACT – IMPACT ON NONPROFITS

The Coronavirus Aid, Relief and Economic Security Act has many provisions that are aimed at providing relief to the nonprofit sector.

- **Worker Retention Credit** - The Act encourages organizations that have been negatively impacted to retain employees by providing a credit for wages paid to employees that have been retained. The credit is equal to 50% of qualifying wages paid between March 12, 2020 and January 31, 2021, not to exceed \$10,000. The eligible credit will be a credit against the payroll taxes to be remitted by the employer. If the credit is larger than the payroll taxes, the excess amount will be refunded.
- **Delay of Employer Payroll Taxes** –This Act provides some immediate assistance to cash flows by deferring the timing of the employer tax remittances to the government. Organizations will not be required to deposit the employer share of FICA taxes (6.2% portion) from the date of enactment until December 31, 2020. The deferred portion repayment schedule would be 50% by December 31, 2021 and the remaining 50% by December 31, 2022. The Organization must still deposit the employer's share of the hospital insurance tax (1.45% portion) as well as the employee's share of the payroll taxes withheld.
- **Charitable Contributions Deductions Expanded**– Individuals that do not itemize and instead use the standard deduction will be allowed to deduct up to \$300 of qualified cash contributions.
- **Emergency Small Business Loans** – The Act has allocated \$10 million for eligible nonprofits and small businesses to cover the cost of payroll, operations and debt repayment. If nonprofit organizations meet certain criteria, there may be opportunity for loan forgiveness, thus turning the loan into a grant. Please note that the utilizing the benefits of this SBA loan program may preclude benefits from the employer tax relief and worker retention credit program.

