



Memorandum to OU Community Institutions

Updated Guidance re: “Coronavirus Aid, Relief, and Economic Security Act” (“CARES Act”)

March 30, 2020

For the past 3 weeks, as the Coronavirus emergency has heightened and Congress and the White House have worked to craft and pass a massive \$2 trillion aid package, OU Advocacy has been working intensively to have the needs of our community’s shuls, schools and other institutions included as much as possible.

Last week, the Senate and House of Representatives passed—and on March 27, 2020—President Trump signed into law—the CARES Act. We have updated the bill’s provisions that are potentially relevant to your organization. (We will send further updates and offer assistance through Orthodox Union Advocacy and Teach Network staff as the relevant Federal program agencies issue guidance and application opportunities—which they are required to do by April 11.)

Consistent with our advocacy efforts, in partnership with a broad set of coalition partners, the bill provides “emergency” appropriations that will benefit nonprofit organizations in the following ways: small business interruption loans, unemployment insurance expansion, employee retention tax credits, payroll tax payment deferrals, charitable deduction adjustments, aid for nonpublic schools, and FEMA disaster loans.

I Small Business Administration (SBA) Loans: Two loan programs will be available to nonprofits through the SBA: Section 7(a) loans and “Economic Injury Disaster Loans.”

1) SBA 7(a) Loans, or “Paycheck Protection Program”

- **Basic Info:** Allows **nonprofit organizations** with fewer than 500 employees to be eligible for loans.
- If the nonprofit or small business uses this loan to pay wages, the loan will be **FORGIVEN**.
- Loan period is Feb 15 - June 30, 2020
- Increased maximum SBA 7(a) loan amount to \$10 million or 250% of the employer’s average monthly payroll

- Once the SBA releases the application (before April 11, 2020), loans will be immediately available through approximately 800 existing SBA approved lenders (and the SBA is expected to approve additional lenders).
- Expands allowable uses of loans to include payroll support, such as paid sick or medical leave, employee salaries, mortgage payments, and any other debt obligations.
- Allows complete deferment of loan payments for 6 to 12 months
- For eligibility purposes, requires lenders to determine whether a business was operation on March 1, 2020, and had employees for whom it paid salaries and payroll taxes.

To Qualify:

- For nonprofit organizations: have 501c3 status; have 500 or fewer employees

Information and applications will be posted at www.disasterloan.sba.gov (guidance has not yet been delivered by the federal government, but will be available shortly). The Secretary of the Treasury has committed to having an “easy, same day application and disbursement process in place by the end of this week.

2) Economic Injury Disaster Loan

- Requires borrowers to make a good faith certification that the loan is necessary due to uncertainty of current economic conditions cause by Covid19, will use the funds for similar purposes as 7(a) loans
- One entity cannot receive a 7(a) loan and an EIDL loan for the same purpose
- EIDL offers an emergency \$10,000 “express” loan, to be subtracted from the loan forgiveness amount
- Maximum interest rate 4%

II Emergency Unemployment Insurance Expansion:

- The States’ Unemployment programs will be funded to expand unemployment insurance
- Increases payments by \$600 per week for four months on top of what state unemployment programs pay.
- Specifically, nonprofits will be provided “Emergency Unemployment Relief” for half of the costs they incur through December 31, 2020 to pay unemployment benefits.

III Employee Retention Tax Credit (Against Payroll Taxes)

- Provides a refundable payroll tax credit for 50% of wages paid by employers to employees during the Coronavirus crisis. The credit is available to employers (including nonprofits) whose:

- Operations were fully or partially suspended due to a coronavirus related shut-down order, or
- Gross receipts declined by more than 50% when compared to the same quarter in the prior year.
- The credit is based on qualified wages paid to the employee.
- Employers receiving emergency SBA 7(a) loans would not be eligible for these credits.

IV Payroll Tax Payment Deferral

- Allows employers and self-employed individuals to defer payments of the employer share of the Social Security tax with respect to their employees.
- Requires the tax be repaid by December 31, 2022.
- For corporations, the 10% limitation is increased to 25% of taxable income.

V Aid Specifically for Nonpublic Schools - In Addition to the Loans Above:

1) Governor’s Emergency Grants (Sec. 18002, 18005): May be used to provide to entities the Governor deems essential for carrying out emergency educational services to students including the provision of child care and early childhood education, social and emotional support, and the protection of education-related jobs.

2) Equitable Participation Assistance to Non-Public Schools via LEAs (Sec. 18003, 18005): Local Educational Agencies (LEAs) will receive funds under this legislation and “shall provide equitable services to students and teachers in non-public schools in the same manner as are provided under ESEA of 1965.”

VI. FEMA Emergency Grants: More information on FEMA emergency grants will be available in the coming months.

VII. New Deduction for Charitable Contributions:

- Allows Americans to deduct up to \$300 of cash contributions to charities (whether the individuals itemize their deductions or not).
- Increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations.
- For individuals, the 50% of adjusted gross income limitation is suspended for 2020

VIII. For “Large” Nonprofit Organizations: The CARES Act calls for the creation of a loan and loan guarantee program via a new Industry Stabilization Fund specifically targeting “mid-size” organizations, defined as having between 500-10,000 employees.

- This provision, unlike the emergency SBA loan program, does not provide loan forgiveness, but does mandate an interest rate of no higher than two percent and would not accrue interest or require repayments for the first six months. Nonprofits

accepting the mid-size business loans must retain or rehire at least 90% of their staff at full compensation.