

# The Coronavirus Aid, Relief, and Economic Security (CARES) Act

## IMPACT ON DONORS AND NONPROFITS

The CARES Act not only offers loans and grants to eligible nonprofit organizations impacted by the coronavirus, it also incentivizes charitable giving from individuals and corporations by increasing tax deductibility.

### WHAT DOES THIS MEAN FOR DONORS?

- Many people will receive cash payments (called Recovery Rebates) of up to \$1,200. *Section 2201*
- Full tax deductibility for all cash gifts up to \$300 (\$600 per couple) regardless of whether itemizing or not. *Section 2204*
- For individuals who do itemize, gifts are now tax deductible up to 100% of adjusted gross income (up from 60% last year). Gifts to donor-advised funds and private foundations do not receive the revised deductible under this provision. *Section 2205*
- Penalty-free Coronavirus-related Retirement Plan withdrawals up to \$100,000.
- Waiver of 2020 Required Minimum Distributions (RMDs) for certain retirement plans and IRAs.
- Donors may consider varied planned giving options, including bequests, beneficiary designations, or charitably gift annuities.

### WHAT DOES THIS MEAN FOR NONPROFITS?

- Paycheck Protection Loan Program: Creates an emergency loan program providing loans of up to \$10 million for eligible nonprofits and small businesses, permitting them to cover the cost of payroll, operations, and debt service, and provides that the loans will be forgiven in whole or in part under certain circumstances. *Section 1102*
- Economic Injury Disaster Loan (EIDL) Program: Creates emergency grants for eligible nonprofits and other applicants with 500 or fewer employees enabling them to receive checks for \$10,000 within three days. *Section 1110*
- Large nonprofits (500-10,000 individuals) can apply for loans with a maximum interest rate of 2% to fund ongoing operations.
- Employee Retention Payroll Tax Credit: refundable payroll tax credit of up to \$5,000 per employee on an eligible nonprofit's payroll (not eligible if receiving an EIDL). *Section 2301*
  - For nonprofits that have experienced a drop in revenue of at least 50% in the first quarter of 2020 compared to the organization's revenue in first quarter of 2019, credit is available each quarter until the nonprofit's revenue exceeds 80% of the corresponding quarter in 2019
- Among other sectors receiving grants from the CARES Act, nearly \$14 billion will be made available for higher education institutions to prevent, prepare for, and respond to coronavirus.
  - Funds may be used to defray expenses for colleges and universities, 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.