

NON-PROFIT ORGANIZATIONS

Overview

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides various forms of relief for non-profit organizations to assist them in maintaining their operations and workforces. Please see below for more information on these programs.

IMPORTANT UPDATE: On June 4, 2020, the *Paycheck Protection Program Flexibility Act* was signed into law, providing small businesses with more time and more flexibility to use their Paycheck Protection Program (PPP) loans. The new law:

- Increases the amount that can be used on rent, utilities, and other overhead costs from 25 percent to 40 percent; and it lowers the amount that must be used on payroll costs from 75 percent to 60 percent;
- Extends the period of time that small businesses can use their loan from 8 weeks to 24 weeks and extends the entire program to December 31, 2020;
- Allows small businesses to receive loan forgiveness even if they had trouble rehiring employees or if they have not been able to return to a full operating status;
- Allows small businesses to repay any amount that is not forgiven over five years, instead of just two years; and
- Allows small businesses with PPP loans to defer their payroll taxes as provided in the CARES Act.

[SBA Paycheck Protection Program](#)

The Paycheck Protection Program provides small businesses and non-profits with zero-fee loans of up to \$10 million to cover payroll and other operating expenses for ten weeks. Receipts have 24 weeks to spend the funds on payroll, mortgage interest, rent, and utility costs in order to have the loan forgiven. Eligible non-profits include 501(c)(3) and 501(c)(19) organizations that meet the SBA's size standards or if they have fewer than 500 employees, whichever is larger. More information on this program is [available here](#).

[SBA Economic Injury Disaster Loans](#)

The CARES Act creates a new emergency grant of up to \$10,000 for small businesses and non-profits that apply for an SBA economic injury disaster loan (EIDL). EIDLs are loans up to \$2 million with interest rates of 3.75 percent for businesses and 2.75 percent for non-profits, and principal and interest payments deferred up to 4 years. The EIDL loans may be used to pay for expenses that could have been met had the disaster not happened, including payroll and other operating expenses. The EIDL grant does not need to be repaid even if the applicant is denied an EIDL. A non-profit may apply for an EIDL grant and a Paycheck Protection loan. The EIDL grant will be subtracted from the amount of the Paycheck Protection loan that is forgivable.

Non-profits of any size are eligible. Eligible non-profits can be a 501(c), (d), or (e) entity, or can present evidence that they are operating as a not-for-profit entity under state law. However, non-profits involved in religious activities or lobbying are not eligible. More information on this program is [available here](#).

Unemployment Insurance

The CARES Act provides payments to states to reduce the amount by which nonprofit entities are required to reimburse states for benefits paid to their workers who claim unemployment insurance by 50 percent through December 31, 2020.

Contact the Department of Labor and Industrial Relations at labor.hawaii.gov/ui/contact for additional information.

Emergency Paid Sick and Family Leave and Associated Tax Credits

The Families First Coronavirus Response Act (“Families First”) temporarily requires employers, including non-profits, with 500 or fewer employees to provide paid sick, family, and medical leave to employees who are directly affected by the COVID-19 outbreak. Families First also provides for refundable, advanced tax credits to offset the costs of companies covered by the paid leave provisions. The paid leave requirements go into effect on April 1, 2020, and last until December 31, 2020.

Please refer to this related [information for employees about emergency paid leave](#) and [information for employers about emergency paid leave](#).

Employee Retention Tax Credit

The CARES Act creates a refundable payroll tax credit for businesses and non-profits that retain their employees during the COVID-19 crisis. Employers are eligible if they have been fully or partially suspended as a result of a government order, or they experience a 50 percent reduction in quarterly receipts as a result of the crisis. For employers with 100 or fewer full-time employees, they may claim a credit for wages paid to all of their employees, up to \$10,000 a person. For employers with more than 100 employees, they may claim a credit for those employees who are furloughed or face reduced hours as a result of the employer’s closure or economic hardship. The Department of the Treasury is authorized to advance payment of the employee retention tax credit. This tax credit is not available if the employer receives loan forgiveness for an SBA paycheck protection loan.

Payroll Tax Delay

The CARES Act allows employers to delay paying the employer-portion of payroll taxes through the end of 2020. The deferred amount is due in two installments—50 percent is due before December 31, 2021, and the other 50 percent is due before December 31, 2022. Due to the *Paycheck Protection Program Flexibility Act*, deferral is now available even if the employer receives a SBA paycheck protection loan. More information is [available here](#).

Advance Payment of Tax Credits for Paid Leave

The CARES Act allows the Treasury to send advance payments of tax credits available to employers that are required to provide up to 12 weeks of coronavirus-related paid leave to their employees. More information is [available here](#).

Expansion of Charitable Tax Deduction

The CARES Act expands the charitable tax deduction for individuals by allowing taxpayers who do not itemize to take up to \$300 in an above-the-line tax deduction. For taxpayers that itemize, the CARES Act allows them to increase the limitation on charitable deductions from 60 percent to 100 percent of modified income for cash contributions generally to public charities in 2020. It would also increase the limitation for food contributions by corporations from 15 percent to 25 percent of modified income.

Financial Assistance for Health Care Providers

The CARES Act includes several types of financial assistance programs for health care providers. More information on that assistance is [available here](#).