



# Non-Profit *Coronavirus Aid, Relief, and Economic Security (CARES) Act*

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## Paycheck Protection Program (Section 1102)

The CARES Act includes nearly \$350 billion for a Paycheck Protection Program (PPP) that will provide certain small businesses and other entities, including 501(c)(3)s, with 100% federally backed Payment Protection Loans (PPL) of up to \$10 million. Up to 8 weeks of payroll and other costs will be forgiven if the business retains its employees and their salary levels. Principal and interest is deferred for up to a year and all borrower fees are waived. A PPL may be used to refinance SBA Emergency Injury Disaster Loans (EIDL) made on, or after January 31, 2020, and you may have a PPL and EIDL at the same time if the EIDL is used to cover different costs than those covered under the PPL.

# Paycheck Protection Program (Section 1102) Eligibility and Size Standards

## Entities eligible for loans

- Small businesses
- 501 (c) (3)
- 501 (c) (19) veterans organizations
- Tribal businesses

501(c)(3)s qualify if they employ not more than the greater of:

- 500 or employees, or
- applicable size standard for the industry as provided by SBA

SBA affiliation rules under 13 CFR 121.103 apply. Employees of all U.S. and foreign affiliates counted for eligibility purposes.

# Paycheck Protection Program (Section 1102)

## Allowable Uses of Loans

### Allowable uses for PPP loans

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensations
- Payments of interest on any mortgage obligation, no forward payment
- Rent and utilities
- Interest on any other debt obligations that were incurred before the covered period

## Emergency Economic Injury Grants (Section 1110)

\$10 billion to provide an advance of \$10,000 to small businesses and nonprofits that apply for an SBA economic injury disaster loan (EIDL) within three days of applying for the loan. EIDLs are loans of up to \$2 million that carry interest rates up to 3.75 percent for companies and up to 2.75 percent for nonprofits, as well as principal and interest deferment for up to 4 years.

The EIDL grant does not need to be repaid, even if the grantee is subsequently denied an EIDL, and may be used to provide paid sick leave to employees, maintaining payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments. Eligible grant recipients must have been in operation on January 31, 2020.

Available to 501(c)(3)

# Emergency Small Business Loan Program

## SBA 7(a) Loan Program

The bill authorizes a new Emergency Small Business Loan program within the SBA 7(a) loan program. To be eligible, nonprofits or for-profits must have been in existence on March 1, 2020 or earlier and have 500 or fewer employees. An important provision: under this new program, loans are **forgivable** if the nonprofit or for-profit keeps staff on the payroll between March 1 and June 30. This, in essence, turns the loan into a general operating support grant. Forgivable loans of this type can be taken out for as much as \$10 million and can be used to meet payroll and associated costs (including health insurance premiums), facilities costs, and debt service.

Available to 501(c)(3)

# Non-Profit Lending Programs – (Section 4003)

## Emergency relief and taxpayer protections

The bill instructs the Treasury Secretary, through the Federal Reserve, to ensure that nonprofit organizations and businesses between 500 and 10,000 employees have access to a specific loan facility with loans not higher than two percent per year and no payments due for the first six months. In order to qualify, the eligible borrower must self-certify, among other things, that the loan is necessary to support the borrower's ongoing operations, the borrower will retain 90% of its workforce until September 30, 2020, and the borrower will not outsource or offshore jobs for a period of time ending two years after repayment of the loan.

# Bottom Line

	Under 500 Employees	500 to 10,000 Employees
Paycheck Protection Program	Yes	No
Emergency Economic Injury Grants	YES	No
Emergency Small Business Loan Programs	Yes	No
Non-Profit Lending Program		Yes

# Questions?

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