



**PANO**

# **The CARES Act Paycheck Protection Program for Nonprofit Organizations**

April 2, 2020

# Funding

- ▶ The program is funded by the Small Business Administration (SBA) and administered through local banks and lending institutions.
  - ▶ As you compile the required information you should immediately begin having conversations with your bank about their process for submitting applications and funding process.
  - ▶ Each institution will follow their specific internal guidelines for processing applications. (supporting documentation with the application)
  - ▶ SBA posted the Application form on March 31, 2020. Guidelines state that you can start submitting applications to SBA lenders on Friday, April 3, 2020 through June 30, 2020.
  - ▶ Funding is on a first-come, first-serve basis, so time is of the essence.
  - ▶ This is a one-time ask, so make sure you capture all the costs available

# Provisions

- ▶ Loan amounts are capped at 250% of total of eligible expenses or \$10.0MM.
- ▶ Businesses and non-profits with under 500 employees may apply.
- ▶ Loans are 100% guaranteed by the SBA.
- ▶ No personal guarantees or collateral will be required from borrower.
- ▶ Loan repayments are deferred for 6-months. However, interest will continue to accrue at an annual fixed rate of 0.50%.
- ▶ **If borrower can show that loan proceeds were used to cover eligible expenses, then the lender must make a forgiveness decision within 60 days. Loan amounts would be due within 2 years, no early repayment penalty.**
- ▶ There will be no SBA fees or other charges to borrowers

# Information to provide Lenders

- ▶ Lenders will ask for a Good Faith Certificate that:
  1. The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
  2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments
  3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here
  4. From February 15, 2020 to December 31, 2020, the borrower has not received a loan duplicative of the purpose and amounts applied for here (Note: There is an opportunity to fold emergency loans made between January 31, 2020 and the date this loan program becomes available into a new loan)

# Eligible Expenses to be Covered with Loan Proceeds

- ▶ Payroll costs capped at \$100,000 on an annualized basis for each employee (payroll and state and local payroll taxes)
- ▶ Healthcare premiums/costs
- ▶ Paid family, medical or sick leave costs
- ▶ Health care benefits including insurance premiums
- ▶ Payments of any retirement benefits
- ▶ Payments of interest on debts outstanding (excludes principal payments)
- ▶ Rent costs if a business is currently renting property
- ▶ Utility costs

# Information to Gather in Applying for the PPP Loans

- ▶ Monthly payroll reports showing costs
- ▶ Health insurance premium documentation
- ▶ Copies of outstanding notes payable along with a summary of all notes payable
- ▶ Copies of leases
- ▶ Copies of monthly utility bills
- ▶ Organizational documents for company borrower indicating legal name and structure
- ▶ If Board approval is required, have an approved resolution authorizing such action



# SBA Interruption Loans Worksheet

## ► Maximum Loan Amount

### 1. Lesser of:

1. Average total monthly payments for the 1-year period before the date the loan is made

#### a) Payroll includes:

1. Wages, commissions, compensation to employees or independent contractors (exclude wages >\$100,000 and sick leave or family medical leave allowed under the new Coronavirus Relief Act)
2. Payments of cash tips or equivalent
3. Payment of vacation, parental, family medical or sick leave
4. Allowance for dismissal or separation
5. Payment for group health care benefits
6. Payments for retirement benefits, and
7. Payments of state or local tax assessed on employee compensation

b) Add items 1 – 7 above

c) Multiply by 2.5 times

d) Maximum amount is the lesser of 1.c. or \$10,000,000

# Eligible for Loan Forgiveness

- ▶ Payments made by the borrower during the 8-week period beginning on the date of the loan:
  - ▶ Payroll as defined above
  - ▶ Mortgage Interest
  - ▶ Rent
  - ▶ Certain utility payments
- ▶ The total represents the total loan eligibility amount



# Reductions of Loan Forgiveness

- ▶ If funds are used for anything other than payroll costs, mortgage interest, rents and utilities payments over the 8 weeks after getting the loan. It is anticipated that not more than 25% of the forgiveness amount may be for non-payroll costs.
- ▶ A percentage reduction will be calculated if you do not maintain your staff and payroll
  - ▶ Number of Staff – reduction if you reduce your full-time employee headcount
  - ▶ Level of Payroll – decrease salaries and wages > 25% for any employee making < \$100,000, annualized in 2019
  - ▶ Re-Hiring – You have until June 30, 2020 to restore your full-time employment and salary levels for changes made between February 15, 2020 and April 26, 2020.

## Other Business Activities Covered by the CARES Act

- ▶ Emergency Economic Injury Disaster Loan (EIDL)
  - ▶ If a borrower has an EIDL unrelated COVID-19 loan, they are also eligible for the PPP and can refinance their current EIDL into the PPP loan.
- ▶ Expansion of Unemployment Insurance and Benefits
  - ▶ Created January 27, 2020 through December 31, 2020
  - ▶ Nonprofits entitled to 50% of the cost incurred through December 31, 2020
  - ▶ Benefits are increased an additional \$600 per week until July 31, 2020 and an additional 13 weeks of unemployment will be provided. (for example; Maryland and Pennsylvania allow 26 weeks of UI; the new eligible period is for 39 weeks.
  - ▶ Most states have waived the waiting period for eligibility

## Other Business Activities Covered by the CARES Act

- ▶ Delay of Employer Payroll Tax Payments
  - ▶ Employers can delay their share of Social Security tax on employee wages. This 6.2% delay began on March 27, 2020 and goes through December 31, 2020. 50% repayment will be due by December 31, 2021 and the remaining 50% due by December 31, 2022.
- ▶ Charitable Contributions
  - ▶ Corporate charitable contribution limit is increased from 10% to 25% for the 2020 taxable year.
  - ▶ A deduction for food inventory contributions is increased from 15% to 25%.

# Individual Activities Covered by the CARES Act

- ▶ Waivers Related to Retirement Funds and Plans
  - ▶ The 10% early withdrawal penalty is waived for distributions up to \$100,000 made on or after January 1, 2020 from qualified retirement accounts for COVID-19 related purposes.
  - ▶ The required minimum distribution rules are waived for certain defined contribution plans and IRAs for calendar year 2020.
- ▶ Individuals are permitted to deduct up to \$300 of cash contributions to churches or charitable organizations, regardless of whether they are eligible to take itemized deductions. The 50% of adjusted gross income limitation is suspended for 2020.

**For all individual tax related questions, please consult with your personal tax advisor**

# Presenter

## **With PANO's Gratitude to Our Presenter:**

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**For a small fee, PANO members can get additional assistance from Tom Bonomo or from our friends at Maher Duessel.**

**If interested, please contact PANO's Membership Manager, Kyla Alvarez, at [kyla@pano.org](mailto:kyla@pano.org)**