

# 501(C)(6) RESOURCES

Below is an overview and guide to resources for 501(c)(6) nonprofits provided under the CARES Act. The available resources fall into two general categories:

**1. Currently Available Resources** which can be applied for or used immediately.

- Economic Injury Disaster Loans
- Employee Retention Tax Credit
- Enhanced Unemployment Insurance

**2. Soon to be Available Resources** which may be available within 30 days or more.

- Payroll Tax Deferral
- Exchange Stabilization Fund
- Community Development Block Grants

## CURRENTLY AVAILABLE RESOURCES

### SBA Coronavirus Economic Injury Disaster Loans

Economic Injury Disaster Loans (EIDL) provides 501(c)(6) organizations with loans and grants (\$10,000 within 3 days). The maximum loan amount is \$2 million and the proceeds can be used for a wide variety of expenses, including payroll and benefits.

- [CLICK HERE for a Full Overview](#)
- [CLICK HERE to Apply](#)

#### Borrow Requirements

- Collateral is required for all loans over \$25,000.
- Borrowers do not have to be in business for more than a year, prove they can't find credit elsewhere, provide a personal guarantee or submit a tax return or tax transcript.
- Borrowers can be approved based on credit score alone.

#### General Overview

- EIDLs are offered directly through the SBA: The assistance is provided through a grant and a subsidized loan from the SBA, available until December 31, 2020.
- Interest rate capped at 4%: The interest rate is capped at 4%, but normally 3.75% for businesses and 2.75% for non-profit organizations.
- Loan terms are on a case-by-case basis: The term of the loan is determined on a case-by-case basis, based upon each borrower's ability to repay, but with a max term of 30 years.

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## Allowable Uses

- Unmet payroll and operating expenses: The grants and loans can be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the coronavirus outbreak, including:
  - Providing paid sick leave to employees who are unable to work because of the coronavirus outbreak;
  - Maintaining payroll to retain employees during business disruptions or slowdowns;
  - Meeting any increased cost of materials due to interrupted supply chains;
  - Making rent or mortgage payments;
  - Repaying obligations that cannot be met due to revenue loss.

## Employee Retention Tax Credit

- Allows non-governmental employers to claim a refundable tax credit against the quarterly-paid employer portion of Social Security taxes (6.2% of wages). The credit is worth 50 percent of eligible compensation (including group health benefits), up to \$10,000 in employee compensation, providing a maximum credit of \$5,000 per employee. For more information, please see [here](#).
- Any nonprofit that is tax exempt under 501(c) of the tax code can claim this credit.
- Entities that are considered a political subdivision of a State or an instrument of a State or local government are not eligible.
- Any employee paid leave benefit that is eligible for a tax credit under the Families First Coronavirus Response Act cannot be included in the calculation of employee compensation.

## Enhanced Unemployment Insurance

The CARES Act allows States to provide special pandemic unemployment assistance to furloughed workers and self-employed individuals, enhance regular unemployment insurance programs, extend the duration of unemployment insurance benefits, and expand short time compensation programs for workers forced to cut hours.

**NOTE:** Each State administers their own unemployment insurance program and may or may not include some or all of these new features.

- **[Find out which benefits are available in your State:](#)** The Department of Labor's search tool provides an easy way to find out about the specific benefits offered in each State.
- **[Official information from the Department of Labor:](#)** Provides additional information about the changes made to Federal employment law in response to the coronavirus outbreak.

## State Options for Pandemic Unemployment Assistance

### General Eligibility

- Unemployed individuals
- Partially unemployed individuals (i.e. those forced to work less than full-time to care for someone diagnosed with COVID-19 or care for a child unable to attend school because of COVID-19)

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- Self-employed individuals
- Furloughed workers or those unable to work due to the COVID-19 outbreak

## Ineligibility

- Anyone able to telework with pay
- Anyone receiving paid leave benefits
- Anyone eligible for any other unemployment benefit (including the new Extended Pandemic Unemployment Insurance Benefit)

## State Options for Pandemic Unemployment Assistance (covered by Federal Government)

- Can increase compensation until July 2020: The CARES Act makes Federal funds available to States to encourage them to pay eligible individuals Pandemic Unemployment Assistance until December 31, 2020, totaling a person's regular weekly compensation plus an additional \$600 (until July 31, 2020).
- Can provide a total of 39 weeks of assistance: These enhancements provide up to 39 weeks in total unemployment assistance during any period of employment disruption occurring between January 27th and December 31st, 2020—with no 7-day waiting period requirement.
- Can cover unemployment, partial employment or inability to work: Periods of employment disruption include any week of unemployment, partial unemployment, or inability to work due to COVID-19.
- Minimum Level of Compensation Guaranteed: If an individual's regular compensation is less than 50 percent of the average weekly compensation in the State, then the assistance will total 50 percent of the average weekly compensation in that State.

## SOON TO BE AVAILABLE RESOURCES

### Payroll Tax Deferral

- Allows any employer to defer the employer portion of Social Security taxes owed this year and instead pay it over the next two years. At least 50% of the deferred taxes will need to be paid to the government by the end of 2021, with the remaining balance needing to be paid by the end of 2022. IRS guidance on how to claim this benefit is pending.
- All employers and self-employed individuals are eligible, including governmental entities—such as those considered a political subdivision of a State or an instrument of a State or local government.
- Additionally, the benefit can only be claimed by direct employers, and not third-party payroll administrators or Professional Employer Organizations (PEOs).

### Exchange Stabilization Fund

The CARES Act provides the Treasury Department and Federal Reserve with \$454 billion to establish lending facilities or programs that can provide loans and loan guarantees to eligible U.S. businesses, which may include 501(c)(6) nonprofits. NOTE: Organizations that receive a Coronavirus Economic Injury Disaster Loan will likely limit the amount of assistance they are eligible to receive from this Fund.

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The Treasury Department and Federal Reserve have broad discretion in how the financial assistance will be provided and which entities are ultimately eligible—which has yet to be decided. Once the facilities or programs are established, it is likely that the loans will flow to borrowers through banks, credit unions or other financial institutions.

U.S. Travel and industry partners are working with Treasury and the Federal Reserve to quickly establish programs that will provide lending and other financial tools to impacted sectors of the travel industry.

## Borrower Requirements

- For any programs and facilities established by the Federal Reserve, all borrowers will be required to meet loan collateralization, taxpayer protection, and borrower solvency requirements.

## Types of Assistance That May Be Available to 501(c)(6)

- **Secured loans through banks:** Banks and credit unions are going to be the main distribution channels for loans made available under this program. The terms, conditions and maximum loan amounts will be set by the Federal Reserve and the financial institution. However, at a minimum, the borrower must be solvent, provide sufficient collateral, and comply with other established taxpayer protections.
- **Loans for Mid-Sized Businesses and Nonprofits:** The CARES Act encourages Treasury to establish a specific program targeted at mid-sized nonprofit organizations with between 500 and 10,000 employees. For any direct loans made under the program, the annualized interest rates will be no more than 2% and the borrower will not be required to pay principle or interest for at least the first six months. Additional conditions will apply.
- **Main Street Lending Program for Small and Mid-Sized Businesses:** The CARES Act also encourages the Federal Reserve to establish a program to support lending to small and mid-sized businesses or non-profits on terms and conditions set by the Federal Reserve. 501(c)(6) nonprofits may be eligible under this a program, pending further guidance from the Federal Reserve.

## Community Development Block Grants (CDBG)

The CARES Act provides \$5 billion in CDGB grants, of which \$2 billion will be distributed through an existing formula to city and county governments with \$1 billion in formula funding provided directly to States. The remaining \$2 billion will be distributed to States, cities and county governments by a discretionary formula established by the Secretary of Housing and Urban Development.

## How could these funds be distributed to 501(c)(6) Nonprofits?

- Grants will be awarded by States, City and County Governments: Under the CDGB program, States, cities and county grantees have broad discretion over how to spend the funds. If local and state officials choose to make subgrants available to 501(c)(6) nonprofits, the organizations must request the funds from their State or local government.
  - A list of the previous [grantees in your State can be found here.](#)

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## **What can the CDGB grants be used for?**

- The block grant funding is eligible for a wide variety of uses related to housing, health and economic development.
- Eligible uses include direct funding for impacted tourism businesses: In previous disasters, such as hurricanes, grantees have used CDGB for economic development and recovery projects related to tourism. This could include direct payments to tourism related businesses or nonprofits that have suffered economic disruptions due to COVID-19.
- In some circumstances, funding can be used for tourism marketing: While CDGB funds are generally ineligible for destination marketing, State or local grantees may request a waiver from the Secretary of Housing and Urban Development to award grants for tourism marketing. While this happens rarely, most waivers have been provided in conjunction with a major disaster.
- U.S. Travel is putting together template letters to help States and DMOs urge that funds be used for tourism and that HUD provide waivers for tourism marketing.