

Support for Non-Profit Organizations in the Consolidated Appropriations Act of 2021

Approved by Congress on December 21, 2020, the Consolidated Appropriations Act of 2021, as made available by HR 133, provides non-profit organizations assistance by expanding eligibility for Paycheck Protection Program (PPP) loans, permitting a second draw from PPP funds for particularly impacted organizations, and continuing increased incentives for charitable giving.

Paycheck Protection Program (PPP)

Included are several provisions for first – and second – PPP applicants:

- Loans are available until March 31, 2021 (i.e., deadline to apply for PPP).
- The loan forgiveness process is simplified for loans of \$150,000 or less.
- Organizations with 300 or fewer employees that can demonstrate a revenue decline of at least 25-percent in any quarter in 2020 over the same quarter in 2019 can receive a second PPP loan of up to \$2 million.
- \$35 billion of PPP funds are reserved for first time loan recipients.
- Forgiven PPP loans will not be classified as income and tax deductions are now allowed for expenses paid with proceeds of forgiven PPP loans.

PPP Loans

The Consolidated Appropriations Act of 2021 appropriates \$285 billion for loans of up to \$2 million for small non-profits and businesses. Loans can be used for purposes originally made eligible under the CARES Act, as well as for personal protective equipment, facility modifications, and worker protection.

- As under the CARES Act, loans do not have borrower or lender fees, are 100 percent government guaranteed, and loan repayment is deferred for up to one year. Such loans are eligible for loan forgiveness in an amount equal to the payroll cost and costs related to debt obligations for a covered period selected by the borrower.
- Organizations will not have to pay taxes on PPP loans received.

Increased Eligibility: The Consolidated Appropriations Act of 2021 expands eligibility for PPP to certain 501(c)(6) organizations and Destination Marketing Organizations, provided that they meet certain requirements, including:

- no more than 300 employees,
- no more than 15% of receipts are from lobbying,
- and the cost of lobbying for those organizations did not exceed \$1M in the previous tax year.

Second Draw: Non-profit organizations who have already received PPP loans, originally made available under the CARES Act, are eligible for an additional loan so long as the organization:

- employs 300 or fewer employees; and
- demonstrates a 25 % reduction in gross revenues between the same quarters in 2019 and 2020.

How much money am I eligible for?

Loans can be for up to 2.5 times your average monthly payroll costs from the last year (either the previous 12 months or calendar year 2019). That amount is subject to a \$10 million cap. Payroll costs are capped at \$100,000 per year for each employee (note: an employee's cash compensation above \$100,000 is not counted as part of the nonprofit's payroll costs when calculating the amount of the loan, but the full cost of that employee's benefits is counted).

Payroll costs are calculated on a gross basis without regard to federal taxes imposed or withheld. In other words, payroll cost is not increased by the employer's share of payroll tax or reduced by taxes imposed on an employee and required to be withheld by the employer.

How much of my loan will be forgiven?

Flexibility Act Update: In general, the loan amounts will be forgiven so long as:

- the loan is used to cover payroll costs, interest on mortgage, rent, and utility costs over the 24-week period after the loan is made or by December 31, 2020, whichever is earlier; and
- for loans greater than \$50,000, employee and compensation levels are maintained.

Note: A new SBA Interim Final Rule exempts PPP loans of \$50,000 or less from loan forgiveness reductions based on workforce and wage reductions. Borrowers with loans of \$50,000 or less should complete the streamlined 1-page PPP Loan Forgiveness Application Form 3508S.

For an application checklist, visit [sba.gov](https://www.sba.gov).