

WEBSTER, CHAMBERLAIN & BEAN, LLP | NONPROFIT ALERT

CORONAVIRUS RESPONSE LEGISLATION APPLICABLE TO NON-PROFIT ORGANIZATIONS – PHASE 1

The novel COVID-19, commonly known as the coronavirus, has significantly disrupted daily life all over the United States. Congress has responded by passing two phases of coronavirus-related legislation: the Coronavirus Preparedness and Response Supplemental Appropriations Act (“Coronavirus Supplemental”) (Phase 1) and the Families First Coronavirus Response Act (Phase 2) (see our Alert here). The third phase, The Coronavirus Aid, Relief, and Economic Security (CARES) Act is pending (Phase 3).¹ Lawmakers are already signaling that there may be a phase 4.

This Alert summarizes provisions applicable to non-profits in Phase 1. The Senate-passed Phase 3 contains helpful provisions applicable to non-profits, primarily § 501(c)(3) organizations, and will be summarized in a separate upcoming Alert.

The Coronavirus Supplemental, Phase 1 removed regulatory hurdles and authorizes the Small Business Administration (SBA) to provide low-interest disaster loans to small businesses, including private non-profit organizations. Phase 1 provides \$20 million to SBA’s disaster loan program for loan subsidies that will be made available to entities financially impacted as a result of COVID-19. The SBA is authorized to provide an estimated \$7 billion in low-interest disaster loans to small businesses.

The SBA offers Economic Injury Disaster Loans to small businesses, which include most non-profits, in declared disaster areas. COVID-19 declared disaster areas, which are growing daily, can be found here: <https://disasterloan.sba.gov/ela/Declarations/Index> Once the SBA issues an Economic Injury Disaster Loan declaration for a state or territory, the SBA makes loans available in that state to small businesses and non-profit organizations for economic injury caused by COVID-19. These Economic Injury Disaster Loans cover up to \$2 million in assistance and can be used to pay fixed debts, payroll, and accounts payable which can’t be paid because of COVID-19. The non-profit interest rate is 2.75%, with repayment options, based on each borrower’s ability to repay, up to a maximum of 30 years.

An eligible private non-profit organization is a non-governmental agency or entity that currently has an effective ruling letter from the Internal Revenue Service, granting tax exemption under sections 510(c), (d), or (e) of the Internal Revenue Code of 1954, or satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law.

Private nonprofits can apply for a loan at the SBA’s webpage: <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>. More information can be found at: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

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¹ At the time of this update, the Senate has passed Phase 3 and it is pending in the House.