



New legislation proposes to help “rescue” nonprofits

No one needs to tell nonprofit organizations how tough the past year has been. According to the John Hopkins Center for Civil Society Studies, 7.7% of not-for-profit workers — nearly one million people — lost their jobs between February 2020 and January 2021. An even higher percentage of arts and education organizations lost jobs last year. Although the nonprofit sector received higher-than-usual donations in 2020, many nonprofits that sought COVID-19-related loans were shut out.

So the new American Rescue Plan Act's (ARPA's) provisions for nonprofits are welcome. Let's take a look at some key elements.

Employer tax credits

As with 2020's CARES Act, the ARPA helps nonprofit employers keep employees on their payrolls. The Employee Retention Tax Credit has been extended through December 31, 2021, for eligible employers that continue to pay worker wages during COVID-19-related closures or experience reduced revenue.

Tax credits for nonprofits granting paid sick and family leave to staffers are also extended — to September 30, 2021. The ARPA increases the amount of wages employers can claim from \$10,000 to \$12,000 per employee. Employers may now include time employees use to obtain vaccinations (and any time needed to recover from vaccination side effects) as paid leave.

Unemployment insurance

To help self-insuring nonprofits, the ARPA extends federal coverage of the unemployment costs of reimbursing nonprofits. The current reimbursement rate of 50% continues to March 31, 2021. On April 1, it increases to 75% and remains at that rate until September 6. The ARPA also continues coverage for self-employed nonprofit workers and staff of religious and smaller nonprofits.

Expanded loan and grant access

The ARPA allocates a new \$7.5 billion to the Paycheck Protection Program (PPP) and expands eligibility to some nonprofits with more than 500 employees that operate in more than one location. Currently, eligible nonprofits have until March 31, 2021, to apply for PPP loans. Because this gives employers little time to assess their needs and apply for a loan, many nonprofit advocates are calling for an extension beyond March 31. Congress is discussing a standalone bill that would extend the deadline.

Performing arts organizations can apply for PPP loans, but they may also want to consider requesting a grant from the new Shuttered Venue Operators Grants (SVOG) program. The Small Business Administration is expected to start accepting applications for this program in April. Note that PPP funds can reduce the size of SVOG grants.

In addition, ARPA state and local funding is expected to benefit charities. For example, if your organization lost a government grant due to COVID-19-related declines in revenue, you may be able to obtain new funding.

Don't delay

It's possible that Congress will extend the PPP deadline (and other ARPA dates). However, if your organization intends to apply, start the process immediately. Contact us for help and for additional information about ARPA provisions.

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