

IMPACT OF CARES ACT ON NONPROFIT ORGANIZATIONS

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Materials from Ron Heller

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CHARITABLE CONTRIBUTION DEDUCTIONS

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SPECIAL ABOVE-THE-LINE DEDUCTION

- Up to \$300 deduction for cash contributions made to public charities in 2020.
- Effectively allows up to \$300 charitable deduction to taxpayers claiming the standard deduction

Does not change substantiation requirement for charitable contribution deduction

Remember \$250 threshold

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60% LIMIT RAISED

- Normally 60% of Modified Adjusted Gross Income (MAGI)
- For 2020, will be 100%
- Generally applies to cash contributions to public charities
- No requirement that contributions relate to COVID-19

Normal carryover rules still apply, but using higher limit for current year

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10 % LIMIT RAISED

- Normally 10% of taxable income (with certain adjustments) for corporations
- For 2020, will be 25%
- Generally applies to cash contributions to public charities
- No requirement that contributions relate to COVID-19

Normal carryover rules still apply, but using higher limit for current year

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DONATIONS OF FOOD INVENTORY

- Normally limited to 15% of income
- Increased to 25% for 2020
- Applies to taxable income for C corporations
- Other taxpayers: aggregate net income from all businesses from which the contributions were made

For contribution by partnership or S corporation, limit applies at the partner or shareholder level, not partnership or corporate level

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OTHER BENEFITS NONPROFITS CAN CLAIM

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EMPLOYEE RETENTION CREDIT

- **Eligible employers include nonprofit organizations**

- See IRS FAQ at www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act
- No help to all-volunteer organizations (must have payroll to benefit)

Note that "receipts" can include donations in determining 50% reduction of receipts

- **Refundable Credit**

- Can benefit without having any tax liability

- **Rules generally the same for nonprofit and for-profit entities**

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PAYCHECK PROTECTION PROGRAM AND ECONOMIC INJURY DISASTER LOANS

- PPP Loans – available to nonprofits that existed as of Feb, 15, 2020 and that have employees – same general rules as for-profit entities

PPP – only 501(c)(3) and (c)(19)

- EIDL Loans – similar to for-profit, if unable to meet normal obligations or pay ordinary & necessary expenses

EIDL – all 501(c), (d) and (e)