

501(C)(6) RESOURCES

Below is an overview and guide to all the emergency relief programs 501(c)(6) nonprofits and other tax-exempt organizations are eligible for under the CARES Act.¹ The programs fall into two general categories:

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

- Economic Injury Disaster Loans (EIDL)
- Coronavirus Relief Fund
- Community Development Block Grants (CDBG)
- Economic Development Administration (EDA) grants
- Employee Retention Tax Credit
- Payroll Tax Deferral
- Unemployment Insurance Reimbursement Relief

2. **Resources that may be available in the future:**

- Main Street Lending Program (as provided through the Exchange Stabilization Fund)²

NEED HELP? If you have questions or need help applying for the financial assistance provided through these programs, please read our [FAQ](#), contact us [here](#), or contact your nearest [SBA District Office](#).

CURRENTLY AVAILABLE RESOURCES

SBA Coronavirus Economic Injury Disaster Loans

Economic Injury Disaster Loans (EIDLs) provide 501(c)(6) organizations with loans and grants (\$10,000 within 3 days) to cover any reduction in revenue due to COVID-19, compared to revenue data from before the crisis. The maximum loan amount is \$2 million, and the proceeds can be used for a wide variety of expenses, including payroll and benefits.

NOTE: The SBA is currently only accepting new applications from agricultural businesses. For loan applications that were previously submitted, they will continue to be processed on a first-come, first-served basis. For more information, please visit the SBA's website [here](#).

Borrow Requirements

- Collateral is required for all loans over \$25,000 and a personal guarantee is required by the loan signer for loans above \$200,000.
- Borrowers do not have to be in business for more than a year, prove they cannot find credit elsewhere, or submit a tax return or tax transcript.
- Borrowers can be approved based on credit score alone.

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General Overview

- EIDLs are offered directly through the Small Business Administration (SBA): The assistance is provided through a grant and a subsidized loan from the SBA, available until December 31, 2020.
- The interest rate is capped at 4%; businesses typically receive a 3.5% interest rate and nonprofit organizations receive 2.75% interest rate.
- The term of the loan is determined case-by-case, based upon each borrower's ability to repay, but with a max term of 30 years.

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

Coronavirus Relief Fund

The CARES Act provides funding to states, territories, and local governments through the Coronavirus Relief Fund (CRF), for them to use at their discretion.

- States and local governments are given broad discretion in how they use the funds, provided that their expenditures meet all of the following statutory requirements:
 - Expenditures must be for necessary costs incurred in response to the public health emergency or the secondary effects of COVID-19, such as the economic turmoil caused by the pandemic;
 - Expenditures must not be accounted for in the State or local government's budget most recently approved as of March 27, 2020, unless the previously accounted for expenditures are for activities that are "substantially different" than the expected use of funds in the budget; and
 - Expenditures must be made between March 1, 2020, and December 30, 2020.
- According to an updated [FAQ](#) by the Treasury Department, as requested by U.S. Travel, funds can be used to help the tourism industry through the following means—
 - Subgrants to small businesses to reimburse them for the cost of shutdown orders related to the pandemic.
 - Subgrants to Destination Marketing Organizations (DMOs) to remarket the state or local government's convention facilities and tourism industry.

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- DMOs can use the money to publicize the resumption of business activities and steps taken to ensure a safe and healthy travel experience, which would be considered activities in response to the public health crisis.
- However, DMOs cannot use the money for long-term positioning or more traditional marketing campaigns unrelated to the pandemic.
- DMOs should contact the chief executive of their state or local government (governor, county executive, or mayor's office) to request financial assistance through CRF subgrants. For information on how much each state and local government was allocated, please see [here](#).
- Further information on the program can be found [here](#).

Community Development Block Grants

The CARES Act provides funding for the Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program to help states and local governments respond to the coronavirus outbreak. The funds are available until September 30, 2022.

- Although nonprofit organizations are not eligible for direct CDBG grants, they can receive subgrants through states, cities or counties at their discretion. **DMOs will need a waiver from HUD to use subgrants for tourism promotion. Please find a template for you to send to your state or local government [here](#), and a template for them to send to HUD seeking a waiver for destination marketing activities [here](#).**
 - HUD has already distributed some CDBG-CV funds and is encouraging states and localities to amend previously submitted spending plans for FY2019 and FY2020 CDBG allocations to incorporate any new measures needed to prevent or respond to COVID-19. HUD also invited states and localities to submit new spending plans for additional CDBG-CV grants.
- CDBG funds may be used for a variety of activities including:
 - Acquisition of property
 - Demolition and rehabilitation of residential and non-residential structures
 - Construction of public facilities
 - Assistance to businesses to carry out economic development and job creation or retention activities
- Each activity must benefit low- and moderate-income people or address urgent community development needs where existing conditions pose a serious and immediate threat to the health or welfare of the community.
- At least 70% of CDBG funds must be used for activities that benefit low- and moderate-income people.

NOTE: HUD plans to [waive certain planning requirements](#) to expedite the distribution of funds.³ All interested DMOs should contact eligible grantees in their area as soon as possible to request inclusion in their spending plans and a HUD waiver for destination marketing. To find a list of grant recipients in your area, please click [here](#).

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Economic Development Administration Grants

The CARES Act provides \$1.5 billion to the Economic Development Administration (EDA) for grants to eligible entities to respond to the economic effects of the coronavirus outbreak. EDA began accepting grant applications on May 7th using the existing procedures of the Economic Adjustment Assistance (EAA) program.⁴ For more information, please see [here](#).

- Grants will be awarded on a rolling, competitive basis until funds are exhausted or the program ends.⁵
- Grant amounts are based on 80% of the estimated cost of the project or activity.
- Grants may be awarded within 60 days of a completed application (including supplemental materials) being submitted to EDA.⁶
- Eligible projects and activities must be consistent with a Comprehensive Economic Development Strategy (CEDS) or equivalent EDA-accepted regional economic development strategy.
- Applications must clearly explain how the project responds to the economic effects of the coronavirus and contributes to the economic recovery and resiliency of the community, such as by providing travel and tourism-related marketing campaigns⁷ or the establishment of a qualified Revolving Loan Fund.
- Applications will be assessed based on sustainability, financial support from regional stakeholders (i.e. private, public, and non-profit entities),⁸ financial and management capacity of applicant, alignment with a CEDS or approved equivalent, job impact, long-term regional impact, and feasibility.

Employee Retention Tax Credit

The CARES Act 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% of eligible compensation (including group health benefits), up to \$10,000 in employee compensation, providing a maximum credit of \$5,000 per employee per quarter—which can be refunded to the employer if the amount exceeds their Social Security tax liability. For more information, please see [here](#).

- Eligible Employers can claim the credit when they file their quarterly federal employment tax returns, usually through [Form 941](#). Form 941 is used to report income and social security and Medicare taxes withheld by the employer from employee wages, as well as the employer's portion of Social Security and Medicare tax.
 - Employers can request an advance of the credit even before they make the Social Security tax deposit (i.e. for cases in which payroll tax payments are deferred, as allowed under the CARES Act) by filing [Form 7200](#).
- Eligible employers include any nonprofit that is tax exempt under 501(c) of the tax code, but they must have been operational in 2020 and either:
 - Forced to fully or partially suspend operations due to a government order, or
 - Experienced more than a 50% decline in gross receipts during a calendar quarter this year, compared to the same quarter last year.
- Entities that are considered a political subdivision of a state or an instrument of a state or local government are not eligible.

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- 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.

Payroll Tax Deferral

All employers can defer the employer portion of Social Security Taxes⁹ owed this year and pay it over the next two years instead. At least 50% of the deferred taxes 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. More information on this provision is available [here](#).

- The benefit can only be claimed by direct employers, and not third-party payroll administrators or Professional Employer Organizations (PEOs).

Unemployment Reimbursement Relief for Nonprofit Organizations

The CARES Act reduces the amount by which nonprofit organizations and governmental entities (including tribes) are required to reimburse states for unemployment insurance benefits paid to their workers. Nonprofits and governmental entities can reduce their reimbursement by up to 50% through December 31, 2020.

- The provision also allows the Secretary of Labor to advise states on how to give employers flexibility in making reimbursement payments.
- Additional information will be posted on the Department of Labor's [website](#) when available.

1. Quasi-governmental DMOs that are considered political subdivisions or instrumentalities of a state or local government are treated differently under the CARES Act, and may not be eligible for all the programs listed in this document.
2. Although 501(c) nonprofits are not currently eligible for the Main Street Lending Program, the Federal Reserve indicated they recognize the economic importance of nonprofit organizations and are considering a specific "approach to meet their unique needs." For more information, please see the Federal Reserve's [press release](#) and [FAQ](#) (see Question E6).
3. The CARES Act permits HUD to waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the CDBG-CV funds, FY2019 and FY2020 CDBG funds (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts to prevent, prepare for, and respond to coronavirus.
4. EDA intends to fast-track the applications of existing and past grantees.
5. Under the CARES Act, the funding opportunity must end on September 30, 2022.
6. Historical turnaround time, as provided by EDA.
7. See Question 3 in EDA's [FAQ](#).
8. Grants will generally require a 20% cost-share, but grants can be awarded to cover 100% of costs if EDA determines the applicant or related parties have exhausted their taxing and borrowing capacity, or if the economic condition of the region necessitates full cost coverage.
9. Both FICA and SECA Social Security taxes