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. The programs fall into two general categories:

1. Currently Available Resources which can be applied for or used immediately.
   - Economic Injury Disaster Loans (EIDL)
   - Community Development Block Grants (CDBG)
   - Employee Retention Tax Credit
   - Payroll Tax Deferral
   - Unemployment Insurance Reimbursement Relief

2. Resources that will be available soon:
   - Economic Development Administration (EDA) grants.
   - Main Street Lending Program (as provided through the Exchange Stabilization Fund)

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. Borrowers can apply for a loan 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.

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.
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- 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

**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. 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.

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.

- 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 Taxes 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.
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- The provision also allows the Secretary of Labor to advise states on how to give employers flexibility in making reimbursement payments.

RESOURCES THAT WILL BE AVAILABLE SOON

Economic Development Administration Grants
The CARES Act provides funds to the Economic Development Administration (EDA) to provide grants to state and local governments to respond to the coronavirus outbreak. Projects and activities funded through EDA grants must be consistent with an approved Comprehensive Economic Development Strategy (CEDS), which can include tourism strategies like tourism promotion.

- EDA funding generally leverages additional private sector financing.
- Any nonprofit organization, including 501(c)(6) organizations, can apply for EDA grants if they partner with a local government.
- Please check with your individual state or local government and nearest EDA Regional Office to determine how you can access funds.

NOTE: We strongly recommend reaching out to your local county or city government or a previous grant recipient to develop a CEDS that incorporates your needs while meeting all regulatory requirements. To find a list of previous grant recipients in your area or the nearest EDA Regional Office, please see here.

Main Street Lending Program
Under the program, borrowers will be able to refinance existing loans or obtain new secured or unsecured loans through a $600 billion program designed by the Federal Reserve and Treasury Department. Loans will be provided through banks and credit unions, with a minimum loan size of $500,000 for new loans, a repayment period of 4 years, interest rates ranging from 3 – 4%, and amortization of principle and interest deferred for the first year. Although 501(c) nonprofits are not currently eligible for this program, the Federal Reserve has said they recognize the economic importance of nonprofit organizations and are considering a specific “approach to meet their unique needs,” including “evaluating the feasibility of adjusting the borrower eligibility criteria and loan eligibility metrics of the Program for such organizations.” For more information, please see the Federal Reserve’s press release and FAQ (see Question E6).

NOTE: The terms of this program may change before it is operationalized by the Federal Reserve.

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1Quasi-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.

2The 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.

3Both FICA and SECA Social Security taxes

4Although 501(c) nonprofits are not currently eligible for the Main Street Lending Program, the Federal Reserve has said 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).