

# Urgent Nonprofit Policy Priorities in Reforms to CARES Act

July 13, 2020

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Chuck Schumer  
Minority Leader  
U.S. Senate  
Washington, DC 20510

Dear Speaker Pelosi, Leader McConnell, Leader McCarthy, and Leader Schumer:

The charitable nonprofit community appreciates that several key relief programs in the various COVID-19 relief laws enacted by Congress extend eligibility to some nonprofit organizations. These bipartisan efforts recognize both that the American people rely extensively on charitable nonprofits for important services and supports and that charitable nonprofits play a significant role in our nation's economy as the third largest employer. These programs have been a lifeline for many nonprofits during this difficult time and it is clear that every dollar granted, donated, or earned has been leveraged immediately to address clear and present challenges. However, nonprofits – like the people we serve throughout the country – still face significant challenges. As we continue to provide relief and begin the process of reopening, these challenges will only grow.

As you work on the next COVID-19 relief package this month, the charitable nonprofit sector urges you to address four specific issues to ensure we can continue to provide frontline services to those in need, and are able to help our communities recover. The following key areas **have garnered widespread bipartisan support in both the House and Senate** and will be covered in depth at virtual briefings during the #Relief4Charities “week of action” beginning July 13:

- 1. Continue Emergency Funding Programs** that provide nonprofits with financial support enabling them to continue and expand services protecting vulnerable families and frontline responders. Charitable organizations must have additional resources to provide vital services essential to individual and community wellbeing, both during the pandemic and to support recovery and rebuilding efforts.

**Our requests:** (1) Extend and expand the Paycheck Protection Program (“PPP”) by enabling a second round of funding for all nonprofits and modifying the eligibility criteria pertaining to 500 employees; (2) Enact and expand grant and funding programs, such as the proposed WORK NOW Act or the Employee Retention Tax Credit, to help nonprofits retain employees, scale service delivery, and create new jobs; and (3) Appropriate funds for federal grant programs that enable nonprofits to advance their missions of serving communities.

- 2. Provide Low-Cost Loans to Mid-Size and Larger Nonprofits which have not been able to access government funding.** Nonprofits with 500 or more employees are currently completely shut out of the two most important sources of COVID-19 financial support: the PPP and the Federal Reserve Main Street Lending Program (“MSLP”). The recently proposed “nonprofit” MSLP contains numerous financial restrictions and lacks the forgivable feature of PPP that make it unattractive to most organizations that are targeted for the support.

**Our requests:** (1) Authorize and require the Federal Reserve to quickly finalize a nonprofit lending facility under MSLP that is tailored to accommodate mid-size nonprofits including language similar to

H.R. 6800 that offers a loan forgiveness option; and (2) Extend eligibility of PPP to all nonprofits of all sizes similar to H.R. 6800 and lift the loan cap to appropriately reflect the operational needs of these nonprofits.

- 3. Strengthen Charitable Giving Incentives** to encourage all Americans to help their communities during these challenging times through charitable donations. Donations are especially needed today as nonprofits respond to the current health and economic crisis and will be critical in the future as nonprofits play an essential role in recovery efforts when the pandemic ends.

**Our requests:** (1) Expand the above-the-line or universal charitable deduction in the CARES Act by enacting the provisions in S. 4032/H.R. 7324 increasing the amount to one-third of the standard deduction; and (2) Extend this and the giving incentives enacted in the CARES Act through 2021.

- 4. Provide Full Unemployment Benefit Reimbursement** to nonprofits that self-insure these benefits. Federal and state laws give nonprofits the option of operating as self-insured (“reimbursing”) employers that make payments to their state unemployment insurance systems for benefits attributable to them in lieu of advance contributions. Shut-down orders by government officials and program cancellations have forced nonprofits to furlough or layoff staff, triggering immediate, catastrophic unemployment payment bills that are due this month in most states. Compounding the problem is a Labor Department ruling that requires nonprofits to pay 100% of unemployment costs upfront. These challenges are exacerbating cash flow difficulties at a time when other employers will likely experience little or no additional costs resulting from COVID-19-related layoffs and are diverting valuable funds from mission services.

**Our requests:** (1) Increase the federal unemployment insurance reimbursement for self-insured (reimbursing) nonprofits to 100% of costs; and (2) Reverse the Labor Department interpretation requiring upfront payment of the full amount of unemployment benefits to states by enacting S. 4209, which the Senate passed unanimously.

We thank you, once again, for your leadership in crafting and passing COVID-19 related relief legislation. We hope that nonprofits can count on your continued leadership, and your insistence that the needs of nonprofits, and the indispensable role they play, are at the center of upcoming relief legislation. And we count on your active engagement with the President to make sure that charitable nonprofits can continue to fulfill their missions, especially in times such as this of unique challenge to our nation.