



## CAI Chapter Guide to COVID-19 Government Assistance

*As of April 8, 2020*

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provides over \$2 trillion for “emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic.”

CAI chapters are eligible for some programs and not others. We’ve researched the programs and are providing this guide to assist chapter boards of directors and chapter executive directors in discussions on how to proceed. Please review each section carefully.

### 1. Small Business Administration (SBA) Economic Injury Disaster Loans (EIDL)

The Federal government’s Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) provides long-term, low-interest loans to stabilize nonprofit organizations (CAI chapters) experiencing a substantial economic injury as a result of the COVID-19 national emergency. The EIDL is used for working capital necessary until normal operations are resumed. EIDLs may not fund expenses like payment of dividends and bonuses, expansions of facilities, retiring federal debt (except IRS obligations), or relocation expenses.

#### **Eligible entities are non-profits and small businesses (under 500 employees).**

Please check with your bank and other professionals for information regarding eligibility. CAI does believe CAI chapters (*incorporated as a non-profit in their state*) are eligible for EIDLs.

#### **What constitutes a substantial economic loss?**

- The chapter is unable to pay ordinary operating expenses such as payroll, fixed debts, accounts payable, or other bills.
- The chapter has reduced working capital, increased expenses, cash shortages due to frozen receivables, accelerated debts, and similar economic injuries.

**CAI Chapter Bylaws do not currently allow for loans**, as stated in Article X, Miscellaneous, Section 3 of the Model Chapter Bylaws.

#### **SECTION 3. Loans.**

No loans shall be made or obtained on behalf of the Chapter, and no negotiable instruments other than checks shall be issued in its name, unless and except as authorized by the Board of Directors.

If the chapter determines they have suffered a substantial economic loss and plans to apply for the EIDL, we recommend passing a motion to allow the chapter a **one-time** provision to obtain a loan. Here is a sample.

A motion was made, seconded, and passed to authorize the chapter board of directors to obtain a loan on behalf of the CAI \_\_\_\_\_ Chapter under SBA’s Economic Injury

Disaster Loan Program or such similar loan program established by Congress that is reasonably anticipated to convert to a grant.

### **EIDL Grant and Fast Cash Access**

Once an application is received, SBA is attempting to advance up to \$10,000 to the applicant within three days. If this advance is used to support obligations such as payroll, paid sick leave for employees, and rent or mortgage payments the \$10,000 emergency advance may convert to a grant that is not required to be repaid. Generally, SBA seems to be considering \$1,000 per employee that may be advanced and forgiven.

Congress allocated \$10 billion for these grants.

### **What are EIDL Terms? How much can be borrowed?**

EIDL applicants must have an acceptable credit history and demonstrate an ability to repay the loan. The SBA indicated it will be flexible with applicants to offer maximum support during the COVID-19 national emergency.

Loan amounts (up to \$2 million) and payment terms (up to 30 years) are based on an applicant's financial circumstances and economic injury. Loan interest rates are capped at 2.75% for nonprofit organizations like CAI chapters and 3.75% for businesses. Loans exceeding \$25,000 must be collateralized.

***CAI recommends extreme caution and scrutiny in securing long-term loans, as it will affect the financial status of the chapter for years to come. Further, if a loan is needed, chapter's may find more competitive interest rates from their existing banking partner.***

### **How Can My Chapter Apply?**

EIDL applications will be accepted through the SBA EIDL application portal:

<https://covid19relief.sba.gov/#/>.

### **Required Documentation and Forms**

SBA strongly encourages applicants to download and manually complete required loan documents before applying. Download the information packet on Applying for SBA Disaster Loans (EIDL) here:

[https://www.sba.gov/sites/default/files/articles/EIDL\\_Information\\_and\\_Documentation\\_-\\_3-23-2020.pdf](https://www.sba.gov/sites/default/files/articles/EIDL_Information_and_Documentation_-_3-23-2020.pdf).

Congress waived some traditional EIDL requirements so applicants may not be required to provide all information below (e.g., tax returns). It is prudent to compile all information SBA may require prior to beginning an application.

Required forms for CAI chapters:

- SBA Form 5
- Complete copy of the chapter's most recent tax return OR a copy of the chapter's IRS tax exempt certification AND complete copies of the chapter's three most recent years' "Statement of Activities"
- SBA Form 2202, Schedule of Liabilities (Instructions for SBA Form 2202)
- Completed and signed IRS Form 4506-T (Instruction for IRS Form 4506-T)

### **Tips for Completing the Process**

SBA reports its web-EIDL application portal is experiencing high traffic volume. To ensure your application process is easier:

- Consider using the web-EIDL application during non-peak hours (early morning or evening)
- Save your application progress regularly
- Be sure to submit all required documentation—incomplete documentation causes delays
- Be patient. SBA predicts it will take at least 2 hours to gather all information required to successfully apply.

#### **Additional Resources from SBA**

- Download the [SBA Disaster Assistance One-Pager](#).
- Click [here](#) to apply for a [SBA Coronavirus Disaster Loan](#).
- Additional information at <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

#### **Resources for CAI Members**

For information about the eligibility of CAI members (community associations, management companies, and business partners) to apply for this program, please go to:

[https://www.caionline.org/Pages/covid19\\_HR748.aspx#SBA](https://www.caionline.org/Pages/covid19_HR748.aspx#SBA).

## **2. Paycheck Protection Program (PPP)**

The Paycheck Protection Program (PPP) is a \$349 billion federal government loan and grant program to help small businesses remain solvent and retain employees during the COVID-19 pandemic.

- ***CAI does not believe its chapters are eligible for this program, as chapters are organized as 501(c)(6) organizations.***
- The PPP is administered through the Small Business Administration 7(a) loan program. Applicants must work with an approved SBA lender (bank, credit union, or other approved lender) to apply for PPP loans. Applicants must have had a relationship with their bank (and approved lender) prior to February 10, 2020.
- Small businesses and sole proprietorships may apply for PPP loans beginning April 3, 2020. Independent contractors and self-employed individuals may apply for PPP loans beginning April 10, 2020.
- Under current law, the PPP program will cease accepting applications on June 30, 2020, or when the program's lending authority cap is reached, whichever is sooner.

#### **Who Can Apply for a PPP Loan?**

Businesses with fewer than 500 employees are eligible to apply for PPP loans. Types of businesses include sole proprietors, independent contractors, self-employed individuals, 501(c)(3) charities, veterans' service organizations, and certain Tribal businesses.

All applicants must provide documentation proving the applicant was operational prior to February 15, 2020. Eligible entities include 501(c)3 and veteran-related non-profits and small business (under 500 employees). Please check with your bank and other professionals for information regarding eligibility.

The American Society of Associations Executives (ASAE) is requesting the fourth stimulus package include 501(c)(6) organizations be included in in this program. If 501(c)(6) organizations are included in a future stimulus package, CAI will provide guidance to its chapters.

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[https://www.caionline.org/Pages/covid19\\_HR748.aspx#SBA](https://www.caionline.org/Pages/covid19_HR748.aspx#SBA).

CAI does not believe community associations are eligible for this program.

### 3. Families First Coronavirus Response Act (FFCRA)

The Department of Labor (DOL) issued a temporary federal regulation for the Families First Coronavirus Response Act (FFCRA) that went into effect on April 1, 2020 and expires on December 31, 2020. The Act includes provisions for paid sick leave and expanded family and medical leave for qualifying reasons directly related to COVID-19. The program is funded through refundable tax credits.

#### **Who is eligible for the expanded leave?**

Companies with fewer than 500 workers are required to provide 12 weeks of partially paid Public Health Emergency Leave to employees that have been employed at least 30 calendar days, and who are unable to work (or telework) due to:

- A need to care for a child under age 18 whose school or daycare has been closed or
- the unavailability of a childcare provider due to a public health emergency (declared by a federal, state, or local authority)
- Full-time and part-time workers must be provided two weeks paid leave if under a quarantine order or if caring for quarantined or ill member of the household.
- An employee may elect to use other paid leave (vacation, sick leave, personal leave) during the unpaid leave period.

The U.S. Department of Labor may exempt businesses with fewer than 50 employees from paid leave requirements and public health emergency leave mandates if compliance will jeopardize the viability of the business.

***CAI chapters may be exempt due to the few numbers of employees.*** However, we encourage CAI chapter boards and staff to provide reasonable accommodations for employee leave during this time.

#### **Family Leave Program Detail**

- Length: up to 12 weeks (offset by prior use of Family and Medical Leave Act annual allotment)
- Leave structure: unpaid for first 10 days, then at least 2/3 of normal pay, capped at \$200 per day and not to exceed \$10,000 in total benefits
- Employer Tax Credit: up to \$200 per day of wages advanced, capped at \$10,000 total
- Self-Employed Tax Credit: the lesser of \$200 per day or 67% of average daily self-employed income

#### **Sick Leave Program Detail**

- 80 hours of sick leave for full-time employees
  - Number of hours a part-time employee works, on average, over a two-week period
  - Sick leave authorized under the Act is to be available immediately with no accrual period.
  - Employers must post information on emergency paid sick leave in conspicuous locations.

- Benefit Amount:
  - For a worker with a positive COVID-19 diagnosis or under quarantine order—normal wage or applicable minimum wage, whichever is greater, capped at \$511 per day or \$5,110 total over the entire paid sick leave period
  - For a caregiver—2/3 of normal wage or applicable minimum wage, capped at \$200 per day, or \$2,000 over the two-week period
  - Employer Tax Credit: 100 percent of eligible paid sick leave advances
- Self-Employed Tax Credit:
  - For self-employed individuals subject to a quarantine order, physician self-quarantine request, or are seeking a COVID-19 diagnosis—a self-employment tax credit equal to eligible lost wage amounts (\$511 per day limit or \$5,110 total)
  - For a self-employed individual acting as a caregiver—the lesser of \$200 or 67% of average daily self-employed income

#### 4. Federal Income Tax Payment Deferral

*CAI Chapters are eligible for the following extensions:*

- July 15, 2020, is the new filing deadline for all federal income taxes.
- Individual and non-corporate tax filers may defer up to \$1 million in federal tax payments due on April 15, 2020, until July 15, 2020, without penalty or interest.
- Corporate tax filers may defer up to \$10 million of federal income tax payments due on April 15, 2020, until July 15, 2020, without penalty or interest.
- Additional information at <https://home.treasury.gov/news/press-releases/sm948>.

#### 5. Employee Retention Payroll Tax Credit

Refundable payroll tax credits of up to \$5,000 for each employee available to eligible employers that have seen **at least 50% reduction in revenue in the first quarter of 2020** compared to the first quarter of 2019, among other qualifying conditions. Available to small businesses, Section 501(c)(3)s and Section 501(c)(6)s, among others.

*CAI chapters may be eligible; however, it is unlikely most chapters will be able to meet the threshold of a 50% reduction in revenue for the first quarter.*

#### 6. Delay in Employer Payroll Taxes

All employers and self-employed individuals may defer payroll tax payments over the next two years, with half due by December 31, 2021, and the second half due by December 31, 2022.

*CAI Chapters are eligible for deferral.*

#### 7. Exchange Stabilization Fund

The U.S. Department of Treasury’s Exchange Stabilization Fund to create a loan guarantee program for major industries. Over \$400 billion is available to eligible businesses that have “not otherwise received economic relief in the form of loans or loan guarantees provided under” the CARES Act and employs 501-10,000 people. It is possible certain non-profits will qualify for this aid, but it is yet unclear if Section 501(c)(6)s are included. ASAE continues to monitor this.

*CAI chapters may be eligible for this funding.*