

### CARES Act Provisions that Apply to Tax-Exempt Organizations

The CARES Act (the Act) that provides approximately \$2 trillion in economic relief for Americans, businesses, charitable organizations, and the health care industry in response to the COVID-19 crisis. The comprehensive aid package includes direct payments to Americans, an expansion of unemployment insurance, and billions in aid to large and small businesses and charities. The following outlines the most salient provisions that apply to tax-exempt organizations:

**Emergency Unemployment Relief.** Section 2103 of the Act provides payment to states to reimburse 501(c)(3) organizations, government agencies, and qualified Native American tribes for half of the amounts they pay into the State unemployment fund through December 31, 2020.

**Allowance of partial above-the-line deduction for charitable contributions.** Section 2204 of the Act permits taxpayers to deduct up to \$300 of cash contributions to charitable or religious organizations, whether they itemize their deductions or not. **Notably, however, this does not apply contributions to supporting organizations or donor advised funds.**

**Modification of limitations on charitable contributions during 2020.** Section 2205 of the Act increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the adjusted gross income limitation is suspended for 2020. For corporations, the 10 percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent. **As with the above-the-line deduction, this does not apply to contributions to supporting organizations or donor advised funds.**

**Loan Eligibility.** The Act broadens the eligibility of 501(c)(3) organizations, 501(c)(19) veterans organizations and qualified Native American Tribal business concerns with no more than 500 employees to receive short-term loans to cover payroll, employment and other business costs, through June 30, 2020. The Act also broadens SBA loan eligibility to charitable organizations and small agricultural cooperatives. Loans made during the covered period are lower-interest and waive many fees and penalties.

If you have any questions, please contact the Co-Chairs of Bodman's Exempt Organizations and Impact Investing Practice Group Jennifer M. Oertel (734) 930-6898 or [joertel@bodmanlaw.com](mailto:joertel@bodmanlaw.com) or Celeste E. Arduino (248) 743-6038 or [carduino@bodmanlaw.com](mailto:carduino@bodmanlaw.com)