CARES Act Clarification Legislation to Assist NonProfit Cash Flow

The Protecting Nonprofits from Catastrophic Cash Flow Strain Act of 2020 (S. 4209) was passed unanimously by Congress and was signed by the President on August 3, 2020. This legislation addresses guidance issued by the Department of Labor in April in relation to the CARES Act's relief to nonprofits—including local governments and federally recognized tribes—regarding covering unemployment taxes.

In most cases, nonprofits as well as state and local governments can elect to act as 'reimbursing' or 'reimbursable' employers. This means these organizations are periodically billed by their state for 100% of the benefits paid out during that period to their former employees. Organizations that elect this method are not obligated to pay unemployment insurance payroll taxes.

Under the Cares Act guidance issued this April, the Department of Labor required states to collect 100% of these costs from nonprofits up front, with 50% to be reimbursed later. This initial guidance made little to no immediate impact to a nonprofit's cash flow. The Protecting Nonprofits from Catastrophic Cash Flow Strain Act provides the relief to nonprofits by requiring them to provide only 50% in payments up front. In practice, this would mean if an organization had furloughed employees with claims totaling $100,000 the state would use pull on federal funds to reduce the organization's bill to $50,000.

For more information or assistance with the CARES Act, the Paycheck Protection Program, or other relief-related questions, please contact us at 813.875.7774.

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