



Incentives for Nonprofits Available Thanks to CARES Act

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a sweeping third-wave relief package in response to the COVID-19 pandemic, became law March 27. To read the full overview of the bill, [click here](#).

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There are a few items of interest to nonprofits included in the final version of the Act. Among others, these include the availability of emergency small business loans, a payroll tax credit, and new charitable contribution incentives.

Emergency Small Business Loans

Charitable nonprofits with 500 or fewer employees may be eligible for special loans of up to \$10 million. These loans permit Section 501(c)(3) nonprofits and certain veterans organizations to cover costs of payroll, operations, and debt service. The loans may be forgiven for nonprofit employers that maintain employment between February 15 and June 30 – essentially turning the loans into grants.

Payroll Tax Credit

Nonprofits may be able to claim a refundable payroll tax credit of up to \$5,000 for compensation paid between March 13, 2020 and December 31, 2020 for each employee on the payroll, when certain conditions are met. The nonprofit had to be an ongoing concern at the beginning of 2020 and have a drop in revenue of at least 50 percent in the first quarter compared to the first quarter of 2019. The availability of the credit would continue each quarter until the organization's revenue exceeds 80 percent of the same quarter in 2019. For nonprofits, the whole operations are taken into account when determining the decline in revenues. These credits are not limited to Section 501(c)(3) nonprofits. Nonprofits receiving emergency small business loans are not eligible for these credits.

Giving Incentives

The CARES Act provides for a new above the line (applicable to all taxpayers, whether or not they itemize) deduction for total charitable cash contributions during 2020 of up to \$300. Contributions to most private foundations, to Section 509(a)(3) supporting organizations, or to donor-advised funds do not qualify for this deduction.

The CARES Act also increases the existing cap on annual cash contributions made during 2020 for taxpayers who itemize. For individuals, the new cap is 100 percent of adjusted gross income. For corporations, the cap is 25 percent. These cap increases do not apply to contributions to most private foundations, to Section 509(a)(3) supporting organizations, or to donor-advised funds.

Other provisions in the CARES Act may be of benefit to nonprofits and Frost Brown Todd will continue to monitor the Act. For more information concerning the potential application of the CARES Act to nonprofits, please feel free to reach out to [Douglas D. Thomson](#) or any member of the [Community Banking & Financial Institutions](#) practice group.

To provide guidance and support to clients as this global public-health crisis unfolds, Frost Brown Todd has created a [Coronavirus Response Team](#). Our attorneys are on hand to answer your questions and provide guidance on how to proactively prepare for and manage any coronavirus-related threats to your business operations and workforce.

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