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 **ABOUT THE AUTHOR**



LeagueApps

This piece was written by a member of the LeagueApps Editorial Team. LeagueApps works with the highest calibre of independent journalists and industry experts in the country.

Everything You Need To Know About The CARES Act

BY LEAGUEAPPS

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Here's how the recently passed stimulus bill is going to impact your organization.

We recognize the situation that almost every youth and local sports organization finds themselves.

- You haven't been able to open up new program registration, so little new revenue is coming in.
- You are doing your best to minimize requests for refunds and avoid disputes, so more money doesn't flow out.
- If you had business interruption insurance, it likely doesn't cover losses connected to a pandemic.

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- If you haven't already, you'll soon need to make heart wrenching decisions about long-time employees, coaches and referees.
- After being locked down in their homes, you're confident that families and players will return to your program the first chance they get, so you just need to make it through this next month. In other words, as we say at LeagueApps, you need to survive to thrive. But this is easier said than done.

Fortunately, the CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law this week. It promises to offer significant relief to businesses and individuals, including youth and local sports organizations in both the nonprofit and for-profit sectors. Since we know that the news can be overwhelming and difficult to translate, we asked Izzy Klein (<https://www.linkedin.com/in/izzyklein>)—a leading D.C. lobbyist and partner at Klein/Johnson (<https://kleinjohnson.com/>)—to join our recent NextUp Town Hall and break down the most important parts. Here's what you need to know.

What is the CARES Act?

The two trillion dollar Coronavirus relief package—the largest stimulus package in American history—will help those impacted by the pandemic in a few key ways. First, individuals in certain income brackets will receive direct payments that they can put towards their cost of living. Second, those who are jobless will be able to access unemployment insurance more quickly and for a longer duration of time. And finally, businesses large and small will receive significant aid if they prove that they're able to retain a majority of their workforce and keep them on payroll.

"The goal that the lawmakers have put forward is [for employers] to keep as many people employed as possible," Klein says.

What does it mean for youth and local sports?

1) Financial Assistance for Your Organization

If your organization has fewer than 500 people, you can expect two forms of immediate relief: grants and loans.

- **Grants:** You'll hear this referred to as "Emergency Economic Injury Grants." Small businesses and private non-profits are eligible for an emergency advance of up to \$10,000 to cover immediate operating costs. For organizers, this can be put towards paying coaches, paying rent on your practice facility, or paying parents who demand refunds. You access this by applying (<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>) for a low-interest economic injury disaster loan up to \$2 million—the advance is paid within three days. You don't need to pay back the advance if you don't get the loan. The loan itself is low-interest and can be long-term, but would likely require guarantees and/or collateral above a certain threshold.
- **Forgivable loans:** These are called Paycheck Protection Program (PPP) Loans, and may also be referred to as SBA 7(a) loans. As Klein explained, they are designed (<https://www.notion.so/Loan-Terms-80509fb65a5347f48df4d29bbd4fb3f5>) to help you keep your team intact. You'll be able to borrow up to 2.5x your average monthly payroll (with a cap of \$10 million), with no SBA fees, and at least six months deferral of interest payments. You can use the loans for payroll, benefits, commissions, mortgage interest, rent, and utilities.

There are a few features (<https://www.venable.com/insights/publications/2020/03/the-cares-act-what-you-need-to-know-about>) that make these loans attractive for your organization:

- If you use the loan to help retain your employees and maintain 75% of your salaries, you can get much or all of the loan forgiven. (So it basically functions as a grant.)
- The loan doesn't require personal guarantees.
- The loan can be long-term, and doesn't have to be paid back for at least six months – if any part of it is not forgiven

Klein noted that the assistance is designed to be as inclusive as possible. That's good news for sports organizations, as you're eligible if you are a for-profit or non-profit organization, and if you employ full-time employees, part-time employees, or independent contractors (e.g. 1099s).

2) Additional Tax Benefits

For small businesses and nonprofits, there are a few additional provisions to note:

- **Employee Retention Payroll Tax Credit.** If your operations have been suspended or partially suspended by COVID-19 (which is the case for almost all sports organizations), you can get a 50% refundable payroll tax credit for the first \$10,000 in wages and compensation paid to employees during this time. **Note: you can't take the tax credit and the SBA 7(a) loan, so determine which would be more helpful to you.**
- **Social Security and Payroll Tax Delay.** You can defer paying the employer portion of certain payroll taxes through the end of 2020 until at least the end of 2021. **Note: you can't take the deferral and the SBA 7(a) loan, so determine which would be more helpful to you.**
- **SBA Debt Relief.** If you already had a non-disaster SBA loan, the SBA will cover all loan payments for six months.
- **Charitable Giving Incentive.** The act makes it more attractive to give charitable donations during this time.
- **Net Operating Loss Carryback.** You'll have more flexibility to carry back net operating losses to offset prior-year taxable income.

3) Individual Assistance

We know how deeply you care for your employees and coaches, and you want to make sure they are all taken care of. The CARES act should increase individual assistance that could help you rest easier when making personnel decisions:

- **Individual checks.** A one-time check of \$1,200 per individual and \$500 per child will be distributed in the coming weeks. This will be critical for furloughed employees and even owners whose salaries are below \$75,000.
- **Increased unemployment insurance.** Some organizations are choosing to lay off their employees so that they can collect unemployment insurance, with the plan to hire them back as soon as possible. The federal government is now adding \$600 per week for unemployment insurance, on top of state benefits, extending the length of time they can receive it, and covering more workers previously not eligible for assistance—like independent contractors (“1099s”).

- **Partial unemployment.** More states are expanding eligibility for partial unemployment insurance. This will be helpful to employees who are having their hours reduced.

Klein also answered a few key questions:

What if I already made personnel decisions?

In order to get your Payroll Protection Loan forgiven, you are required to maintain a certain number of employees and salary levels (allowing for some reduction). However, you are able to go back and retroactively address any personnel decisions made after February 15th. Money spent re-hiring employees who were terminated could be forgiven.

What does it mean for your independent contractors?

As an organizer, you likely employ many “1099s” — an employment classification that has been exempt from unemployment in the past. With CARES, expenses tied to 1099s should be covered by the grants and loans, and 1099s can now access unemployment insurance as if they were a full-time employee.

Are there other programs out there besides this latest act?

Beyond SBA programs, each state and city may be developing their own programs to provide assistance to local businesses. For example, in New York City, they are offering (<https://www1.nyc.gov/nycbusiness/article/nyc-small-business-continuity-loan-program>) \$75,000 no-interest loans to local businesses affected.

Is there more federal assistance coming?

According to Klein, there are likely two or three more stimulus packages being passed in the coming weeks. Therefore, it's important to keep following along as major developments occur. You could be getting more assistance than you think—and in many different forms. Look out for more information from LeagueApps.

What do I do next?

Even the experts are trying to distill a nearly 1,000 page bill, in the context of an unprecedented crisis. Here are our recommendations to sports organizations:

- If you work with an accountant or tax attorney, consult them to get their guidance on the best pathway for you and your organization
- If you are considering any personnel decisions (layoffs, furloughs, full-time to part-time), make sure you understand how your planned actions might impact the forgiveness of the Payroll loan
- If you are definitely interested in an SBA loan or emergency grant, you can start by (1) gathering the necessary materials on this checklist (<https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/general-small-business-loans-7a/7a-loan-application-checklist%20>) and (2) locating an SBA lender (<https://www.sbalenders.com/>). With the expected demand for these programs, we recommend looking for a lender that you might have a connection with directly, or through your parents or participants (LinkedIn can be a great source for connections).
- The SBA has resources to help you. You can locate your nearest SBA District Office here (<https://www.sba.gov/local-assistance/find/?type=SBA%20District%20Office&pageNumber=1>), or find (<https://www.sba.gov/local-assistance/find/>) a local business counselor from a Small Business Development Center (SBDC), SCORE mentorship chapter, or Minority Business Development

Center (<https://www.mbda.gov/businesscenters#4/34.05/-111.95>) to help guide you.

At LeagueApps, we're committed to advocating for youth and local sports organizations and addressing questions from our sports community about financial management, economic relief legislation, and more.

If you haven't already, make sure to visit our website (<http://www.leagueapps.com>) and our blog (<https://blog.leagueapps.com>) for the latest resources and join our NextUp Industry Groups on Slack (https://join.slack.com/t/nextup-community/shared_invite/zt-ct4ag186-NKTrB0J_AalsSIQVp~5heg) and LinkedIn (<https://www.linkedin.com/groups/3074931/>). These are online community forums where you can brainstorm, network, and share best practices. Detailed information on how to join is available here (<https://docs.google.com/document/d/1RzE0UyJXt3li17fETDGq9plwBjh8CT3wOICWh4T3g/edit#>).

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