The Protecting Nonprofits from Catastrophic Cash Flow Strain Act signed into law

On Monday night (August 3rd) the Protecting Nonprofits from Catastrophic Cash Flow Strain Act was signed into law. As part of the CARES Act, the Federal government had agreed to reimburse nonprofits that were self-insured for state unemployment 50% of the amount nonprofits had to pay states for those employees who were collecting unemployment against their accounts. The federal government's goal was to share the burden of the unemployment costs with nonprofits. Unfortunately, in April, the Department of Labor issued guidance to the states instructing them to collect 100% of the unemployment from these nonprofits and reimburse them the federal share at a later date, putting additional cash flow strain on many nonprofit organizations that were already impacted by COVID. The new law clarifies that nonprofits are only required to pay their 50% share up-front, preserving much needed cash flow within the nonprofit sector.

For many nonprofits, having to pay the extra 50% up-front and having to wait for reimbursement was exacerbating the already difficult position that they found themselves in as a result of the pandemic and placed additional strain on their ability to provide much needed services to the millions of Americans that are relying on them to help them get through this crisis.

At this point it is uncertain as to how and when nonprofits will get the excess monies they have paid in refunded or how quickly the new law will be implemented by the Department of Labor.

This notice was provided by Cerini & Associates.