



## Why Nonprofits Must Be Included in a COVID-19 Relief and Economic Stimulus Package

### Nonprofits Are Significant Employers

Nonprofits employ 12.3 million people (the third largest workforce – tied with manufacturing<sup>i</sup>), with payrolls exceeding those of most other U.S. industries, including construction, transportation, and finance. A substantial portion of the nearly \$2 trillion nonprofits spend annually is the more than \$826 billion they spend on salaries, benefits, and payroll taxes every year.<sup>ii</sup> Yet, in multiple disaster relief laws in the past, Congress has ignored this core economic fact and approved employment-related tax credits that left nonprofit employers and employees out of the provisions.

**Policy Solution:** Any employment-focused relief or stimulus legislation must expressly apply to employment at tax-exempt organizations by making tax credits and deductions applicable not just to income taxes, but to the taxes nonprofit pay, such as unrelated business income taxes and payroll taxes.<sup>iii</sup>

### Most Nonprofits Are Small Businesses

Most nonprofits are relatively small: 97 percent of nonprofits have budgets of less than \$5 million annually, 92 percent operate with less than \$1 million a year, and 88 percent spend less than \$500,000 annually for their work. Thus, the “typical” nonprofit is community-based, serving local needs. Also, relatively few nonprofits have an endowment and most have limited reserves – about 50 percent have less than one month of cash reserves.<sup>iv</sup>

**Policy Solution:** Nonprofits must be expressly included in tax and other relief targeted to small businesses.

### Nonprofits Are on the Frontlines of Coronavirus Response

No one doubts that hospitals, community health centers, and senior living communities will continue to be hit hard by the coronavirus. Most of those organizations are charitable nonprofits. And many other nonprofits are responding to the outbreak, such as local Meals on Wheels which are serving

their normal community of elderly people and a growing number of individuals under quarantine. The list goes on to include nonprofit food banks, shelters, domestic violence services, houses of worship, early care and education centers, after-school facilities, and more that are being called on to feed, house, and care for people whose lives have been disrupted by closures, job loss, and sickness.

**Policy Solution:** Funds are needed to pay for the increased costs and demand for services arising because our economy and safety net was not built for a pandemic of this degree.

## **Nonprofits Are Experiencing Declining Economic Activities**

Just as travel, restaurant business, and tourism have dropped off, so has the community engagement and related services of many nonprofits that promote and serve a vibrant economy. ASAE reports that meetings convened by all types of nonprofit associations in the United States annually attract more than 250 million attendees, contribute nearly half a trillion dollars to U.S. gross domestic product, and directly support 5.9 million jobs.<sup>v</sup> Many of those jobs will likely disappear in the coming weeks. As will the jobs and revenues lost as a result of closed productions at concert halls and theaters large and small, curtailed training sessions and other educational programming, cancelled fundraising events where many nonprofits earn significant mission dollars through attendance and sponsorships, and diminished attendance at cultural, religious, and community events. All of these activities are essential to a healthy economy and deserving of stimulus.

**Policy Solution:** Any economic stimulus proposals aimed at helping adversely affected industries and geographic areas must recognize the impact of the coronavirus crisis on the nonprofit sector.

## **Nonprofits Are in Every Community Ready to Serve**

Everywhere in America, charitable nonprofits are already in place serving the needs of residents. Every dollar granted, donated, or earned goes back into the community immediately to address clear and present problems. Nonprofits are our economy's shock absorber when crisis hits. Dollars devoted to nonprofits – whether through new appropriations or expanded charitable giving incentives – will be spent immediately on solutions and recirculated in local communities.

**Policy Solution:** Congress should ensure communities are able to support their local nonprofits during this crisis by enacting a **targeted, temporary giving incentive** that enables all residents, regardless of whether they claim itemize deductions, to receive a tax incentive for giving to the work of charitable nonprofits responding to, or suffering from, the coronavirus.<sup>vi</sup>

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<sup>i</sup> [The 2019 Nonprofit Employment Report](#), Johns Hopkins Center for Civil Society Studies, page 5.

<sup>ii</sup> [Nonprofit Impact Matters](#), National Council of Nonprofits, September 2019, page 12.

<sup>iii</sup> [Letter to Senate Finance Committee Taskforce on Disaster Tax Relief](#), National Council of Nonprofits, June 13, 2019, proposal #2.

<sup>iv</sup> IRS Business Master Files, Revenue Transaction Files, and Form 990/990-EZ/990-N returns processed for fiscal years ending circa 2016 (released June 2018), DataLake Nonprofit Research (datalake.net). For a full description of the data, see [www.NonprofitImpactMatters.org](http://www.NonprofitImpactMatters.org).

<sup>v</sup> [Letter from ASAE to National Economic Council](#), March 6, 2020.

<sup>vi</sup> [Letter to Senate Finance Committee Taskforce on Disaster Tax Relief](#), National Council of Nonprofits, June 13, 2019, proposal #4.