

# RECENT COVID-19 DEVELOPMENTS FOR TAX-EXEMPT ORGANIZATIONS/NONPROFITS

*Hodgson Russ Tax-Exempt Organizations Alert*  
May 13, 2021

In response to the COVID-19 pandemic, various relief efforts have been enacted. Several of these efforts impact tax-exempt and nonprofit organizations. This update will discuss certain of these relief efforts. This update will also discuss recent Internal Revenue Service (“IRS”) guidance pertaining to the 2021 tax year.

By way of background, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and Consolidated Appropriations Act (“CAA”) were signed into law on March 27, 2020 and December 27, 2020, respectively. These Acts brought a variety of changes affecting tax-exempt organizations and non-profit clients. On March 12, 2021, President Biden signed the American Rescue Plan Act of 2021 (“ARPA”) into law, extending many of the changes originally implemented by both the CARES Act and CAA and introducing several more.

## 1. Non-Extension of Form 990 and 990-PF Filing Deadlines

In Notice 2021-21 (the full text of which can be found [HERE](#)), the IRS extended the individual Federal income tax filing and payment deadline from April 15, 2021 to May 17, 2021.

Many return types, however, are not included in Notice 2021-21. Specifically, Notice 2021-21 does not extend the due dates for Forms 990 or 990-PF. As such, these Forms retain the applicable due date (15th day of the 5th month after the organization’s year-end), which is generally May 15 for calendar year entities. Because May 15 is a Saturday, these Forms are due on May 17 this year. Please note that the due dates for both Forms are still eligible to be extended by filing Form 8868 (Application for Automatic Extension of Time to File), as they were before Notice 2021-21 was released.

## 2. Higher Education Emergency Relief Fund

The CAA allocated \$22.7 billion dollars to the Higher Education Emergency Relief Fund, with \$20.2 billion set aside for grants to public and private nonprofit higher education institutions. The ARPA added approximately \$40 billion in additional funding. Direct grants to public and private nonprofit institutions will comprise the majority of the \$40 billion. There are specific carve-outs for historically Black colleges and universities, Hispanic Serving

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Institutions, and other minority-serving institutions; student emergency aid for students at for-profit institutions; and the Fund for the Improvement of Postsecondary Education.

All recipient institutions are required to spend at least 50% of their grant on emergency financial aid grants provided directly to students. Additionally, recipient institutions are instructed to spend some of the grant to implement “evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines” and conduct “direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student.” These funds are available through September 30, 2023.

### 3. Charitable Deductions

As discussed [HERE](#), the CARES Act increased the percentage limitations for certain charitable contributions during 2020, up to 100% of adjusted gross income for itemizing individuals and 25% of taxable income of a corporation. The CAA extended these changes to include qualifying contributions made in 2021.

Additionally, the CAA extended and improved the benefit originally provided to non-itemizing taxpayers under the CARES Act. Specifically, individual taxpayers who make cash contributions to eligible charities in 2021 can take a \$300 above-the-line deduction, and the deduction is increased to \$600 for married couples. This benefit effectively allows specified taxpayers to take the standard deduction and an above-the-line charitable deduction.

### 4. IRS Compliance Campaign Regarding Form 990-N

Also of note, the IRS Tax Exempt and Government Entities (“TE/GE”) Compliance Governance Board added several new compliance initiatives (the full list of which can be found [HERE](#)). Included in the newly enacted initiatives is a compliance campaign regarding the filing of Form 990-N. Generally, tax-exempt organizations are eligible to file Form 990-N to satisfy their annual reporting requirement if their annual gross receipts are normally \$50,000 or less. Form 990-N is submitted electronically. Some tax-exempt organizations, however, are not eligible to use Form 990-N even if their gross receipts are normally \$50,000 or less. Ineligible tax-exempt organizations include private foundations and supporting organizations. A full list of tax-exempt organizations ineligible to file Form 990-N can be found [HERE](#). Even if the tax-exempt organization is an eligible entity, the IRS has concerns that some Form 990-N filers may not have actually met the \$50,000 gross receipts threshold. The IRS will conduct this compliance campaign via examinations.

DISCLAIMER: Please note that the situation surrounding COVID-19 is evolving, and that the subject matter discussed in these publications may change on a daily basis.

The professionals at Hodgson Russ LLP will continue to monitor this relief and publish updates as information becomes available. Please contact [Marla Waiss](#) (716.848.1203) or [Patricia Sandison](#) (518.433.2427) for any questions you may have regarding how this relief may impact your organization.

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Please check our [Coronavirus Resource Center](#) for more information about developments related to the COVID-19 pandemic.

