May 4, 2020

SBA Clarifies Public Hospitals Eligibility for Paycheck Protection Program

The U.S. Small Business Administration (SBA) today issued additional guidance clarifying certain provisions implementing the Paycheck Protection Program (PPP), including whether public hospitals are eligible for a PPP loan. This program makes loan opportunities of up to $10 million available for organizations with fewer than 500 total employees or who meet other criteria. These loans may be forgiven if at least 75% of the loan is used for payroll costs, among other terms.

According to the guidance, “Section 1102 of the CARES Act defines the term ‘nonprofit organization’ as ‘an organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986 and that is exempt from taxation under section 501(a) of such Code.’ The Administrator, in consultation with the Secretary of the Treasury, understands that nonprofit hospitals exempt from taxation under section 115 of the Internal Revenue Code are unique in that many such hospitals may meet the description set forth in section 501(c)(3) of the Internal Revenue Code to qualify for tax exemption under section 501(a), but have not sought to be recognized by the IRS as such because they are otherwise fully tax-exempt under a different provision of the Internal Revenue Code.

“Accordingly, the Administrator will treat a nonprofit hospital exempt from taxation under section 115 of the Internal Revenue Code as meeting the definition of ‘nonprofit organization’ under section 1102 of the CARES Act if the hospital reasonably determines, in a written record maintained by the hospital, that it is an organization described in section 501(c)(3) of the Internal Revenue Code and is therefore within a category of organization that is exempt from taxation under section 501(a). The hospital’s certification of eligibility on the Borrower Application Form cannot be made without this determination.” Section 115 is related to tax exemption of governmental organizations.

AHA had urged SBA to clarify these provisions of the program, created by the Coronavirus Aid, Relief, and Economic Security Act.

Further Questions
If you have questions, please contact AHA at 800-424-4301.