

CARES ACT 2020

A SUMMARY AND RESOURCES FOR CHURCHES



SUMMARY OF CARES ACT PROVISIONS PAYCHECK PROTECTION PROGRAM

Note from the Christian Church Foundation, Disciples Church Extension Fund, and Pension Fund of the Christian Church: The material contained in this document is for informational purposes only and not to be construed as tax, financial, or legal advice. Before making decisions about financial matters, please consult your attorney, tax preparer or other financial advisor to find out how these programs will impact your individual or corporate situation.

For Pension Fund members only: If any differences exist between this summary and the plan documents, the plan documents will control.

Note from Church Alliance: This document briefly summarizes provisions in the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”) that could possibly be of interest to church plans, ministries and plan members. This summary reflects those CARES Act provisions as they are currently understood on March 29, 2020, without any agency guidance. As guidance is issued that may be applicable, we plan to provide information to you on that guidance or to refer you to that guidance but may not be able to update the summary with that information.

Unless stated otherwise in this document, staff from DCEF, CCF, and PFCC cannot provide tax or legal advice, nor interpret these documents.

Paycheck Protection Program (“PPP”)

a. Executive Summary

PPP loan program is designed to keep small businesses, including qualifying non-profit organizations, afloat during mandated Coronavirus Disease 2019 (“COVID-19”) related closures.

This new loan program is based on the existing general business loan program of the Small Business Administration (“SBA”) and **will make potentially forgivable loans available to qualifying small businesses**. The loan program is known as the “7(a)” program and not based on the SBA disaster loan program.

Additional detail will be provided as the SBA drafts implementing regulations, which the CARES Act requires to occur within 15 days.

b. Eligibility

Most non-profit organizations, that generally have less than 500 employees, are eligible to apply. Select non-profit organizations with more than 500 employees may qualify if the organization has an employee headcount less than the employee size standard, if any, under the applicable NAICS Code.

In evaluating eligibility for such loans, lenders are to consider: (1) whether the borrower was operational on February 15th, and (2) whether the borrower was paying salaries and payroll taxes on independent contractors at that time.

The SBA affiliation rules will be applied to non-profit organizations in the same way as they are applied to small businesses. Under these rules, generally the SBA considers whether organizations control or are controlled by another organization.

c. Borrowing Limits

The CARES Act appropriated \$349 billion for loans under this program. The maximum PPP loan available to any company is \$10 million or, if less, 2.5 times the average monthly payroll costs of the company over the year prior to the making of the loan, excluding any annual compensation above \$100,000 for any person, prorated for February 15 through June 30, 2020.

Note: Under the CARES Act, “payroll costs” include payments for vacation, parental, family, medical, and sick leave; allowances for dismissal or separation; group health care benefits (including insurance premiums); retirement benefits; and State or local tax assessed on the compensation of employees, as well as payments of any compensation to an independent contractor that are wages, income, earnings from self-employment or similar compensation.

d. Use of Proceeds

PPP loan proceeds may be used for:

- Payroll costs, excluding the prorated portion of any compensation above \$100,000 per year for any person
- Mortgage interest and rent payments
- Utilities
- Interest on debt that existed as of February 15, 2020

e. Terms

PPP loans bear interest at a maximum rate of 4% and mature no later than 10 years after determination of the amount, if any, to be forgiven. Payments under PPP loans may be deferred for 6–12 months, and the SBA is directed to issue guidance on the terms of this deferral. **PPP loans have no collateral or personal-guarantee requirements.**

f. Loan Forgiveness

PPP loans can be forgiven to the extent that the loan proceeds have been used for the following costs incurred and payments made during the eight-week period after the loan is made:

- Payroll costs, excluding the prorated portion of any compensation above \$100,000 per year for any person
- Mortgage interest (but not prepayments or principal payments) and rent payments, on mortgages and leases in existence before February 15, 2020
- Certain utilities, including electricity, gas, water, transportation, and phone and Internet access for service that began before February 15, 2020

Caveats:

- The amount forgiven is reduced based on failure to maintain the average number of full-time equivalent employees versus the period from either February 15, 2019, through June 30, 2019, or January 1, 2020, through February 29, 2020, as selected by the borrower.
- The amount forgiven is also reduced to the extent that compensation for any individual making less than \$100,000 per year is reduced by more than 25% measured against the most recent full quarter.
- Reductions in the number of employees or compensation occurring between February 15, 2020, and 30 days after enactment of the CARES Act will generally be ignored to the extent reversed by June 30, 2020.
- **Under the language of the CARES Act, there is no exclusion for churches and other religious organizations (collectively referred to herein as “religious organizations”). According to information from the offices of Senators James Lankford and Marco Rubio (https://www.rubio.senate.gov/public/_cache/files/ac3081f6-14ae-4e6f-9197-172ede28badd/71AB6CB05A08E369E0D488A80B3874A5.faqs---paycheck-protection-program-faqs-for-small-businesses.pdf), religious organizations may participate in this loan program. It is unclear at this time whether participation in this program may result in the borrower being considered a recipient of federal funds, which may cause the borrower to be subject to federal laws to which it would otherwise not be subject. The Church Alliance will be advocating with the SBA to make this program as beneficial as possible for religious organizations.**