

COVID-19

Governmental
Sources of
Financial
Assistance to
Churches

The Coronavirus Aid, Relief and Economic Security ("CARES") Act

Can our churches benefit from the provisions of the CARES Act?

YES!!

Congress of the United States
Washington, DC 20515

March 31, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
Small Business Administration
409 3rd Street SW
Washington, D.C. 20416

The Honorable Eugene Scalia
Secretary
U.S. Department of Labor
200 Constitution Avenue NW
Washington, D.C. 20210

Dear Secretary Mnuchin, Administrator Carranza, and Secretary Scalia,

We write to you today to convey Congress's intent with respect to provisions of the newly passed Coronavirus Aid, Relief and Economic Security (CARES) Act, H.R. 748, and request your confirmation that the statute will be implemented consistent with such intent. Failure to do so would arbitrarily harm many houses of worship across the nation.

While this bipartisan legislation is designed to provide immediate relief to all American businesses and non-profits that are experiencing unprecedented challenges as a result of the current pandemic, it has come to our attention that certain non-profits—the many churches, synagogues, mosques, temples, and other organizations that are not required to file Form 1023 for recognition of exemption under Internal Revenue Code section 501(c)(3)—may not be afforded equal access to the bill's relief measures. The sections of the CARES Act for which non-profit organizations are eligible are Section 1102 – Paycheck protection program; Section 1110 – Emergency Economic Injury Disaster Loan (EIDL) grants; Section 2103 – Emergency unemployment relief for government entities and non-profit organizations; and Section 4003 – Emergency relief and taxpayer protections. In the midst of this crisis, Congress did not intend for a non-profit organization's eligibility for this assistance to hinge on whether it previously submitted a form it was not legally required to submit.

As you know, for federal income tax purposes, churches and other places of worship are treated as organizations described in section 501(c)(3) of the Internal Revenue Code *without applying for a formal exemption determination letter*. Because of this, many smaller and independent houses of worship have never formally applied for and paid the fee to receive an exemption determination letter. Although some houses of worship are included in group exemptions if a house of worship is part of a larger denominational organization, many smaller

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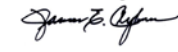
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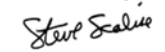
Cedric Richmond
Member of Congress



James E. Clyburn
Member of Congress



Mike Johnson
Member of Congress



Steve Scalise
Member of Congress

From:
The Congress of the United States

To:
The US Dept. of the Treasury
The US Dept. of Labor
The Small Business Administration

Re: CARES Act
Section 1102 – Paycheck Protection
Program (PPP)
Section 1110 – Emergency
Economic Injury Disaster Loan
(EIDL) grants
Section 2103 – Emergency
unemployment relief for
government entities and non-profit
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As a church or non-profit, a local religious institution typically has several hundred members and operates on a thin margin. In so many places, these houses of worship are the soul of their respective communities, providing leadership, spiritual guidance, and support for countless Americans. In times of disaster, our faith leaders are providers of charitable giving, emotional support and volunteerism. Receiving an exemption determination letter must not be treated as a barrier. Non-profit organizations under the CARES Act merely because they do not have an exemption does not require for tax-exempt status and Congress did not include

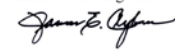
and their congregations would suffer great harm if they are not eligible for the assistance Congress intended for them to receive. We respectfully ask that you direct your staff to direct that lack of an exemption determination letter will not be an obstacle to receiving the assistance under the provisions of the CARES Act administered by your agency. We are asking that this assurance be provided immediately as to not just churches, but all other faith communities. As our great nation heals from the profound impact of this crisis, churches, synagogues, mosques, temples, and all other venues for worship are needed more than ever.

We appreciate your time and prompt attention to this matter.

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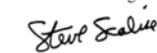
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“Many houses of worship and their congregations would suffer great harm if they are not eligible to receive the assistance Congress intended for them to receive. We respectfully ask that assurance be provided to our offices that lack of an exemption determination letter will not be an obstacle to eligibility for assistance under the provisions of the CARES Act administered by your departments and agencies.”

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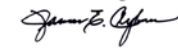
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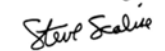
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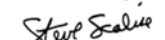
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Which Provisions of the Act Apply to Us?



**Paycheck
Protection
Program**



**Economic
Injury
Disaster
Loans/
Grants**



**Employee
Retention
Credit**



**Deferred
Payroll Tax
Payments**



**Unemployment
Provisions**

Paycheck Protection Program



- Administered through Small Business Administration (SBA)
- Applications open TOMORROW; \$349 billion limit
- Forgivable loan (in full or in part – see below)
- All fees normally charged for such loans are waived
- Maximum amount = Avg. Monthly “Payroll Costs” x 2.5 (250%)
- “Payroll Costs” include the first \$100K per employee of salaries, hourly wages, commissions and similar compensation PLUS pension assessments PLUS health insurance premiums
- Allowable uses of proceeds include payroll costs, pension assessments, health insurance premiums, interest on mortgage or other loans, rent, utilities

Paycheck Protection Program



- Forgiveness portion = total spent on allowable uses for the 8 weeks immediately following issuance of the loan
- You must maintain equivalent levels of employment and payroll to qualify for forgiveness
- Payments on any part of the loan which doesn't qualify for forgiveness can be deferred for six months to one year
- Use of this program disqualifies you from using the Employee Retention Credit and the Employer Payroll Tax Deferral provisions of the Act
- [Click here for Information & Application](#)

Paycheck Protection Program Example



- 4 employees – priest, admin. assistant, organist, sexton
- Total annual payroll costs = \$188,300
- Average monthly payroll costs = \$15,850
- Maximum PPP loan amount = \$39,620
- BENEFIT (forgivable portion) = \$32,380
- Remaining loan balance eligible for deferral = \$7,540

Economic Injury Disaster Loan/Grant



- EIDLs are low-interest loans up to \$2 million
- Allowable uses include all types of operating expenses
- Emergency Economic Injury Grants are immediate grants of \$10,000 available to all of us for operating expenses
- To access the grant, you must apply for a loan (which can be equivalent to the grant)
- Coordination with PPP – you cannot use the proceeds of an EIDL or Emergency Economic Injury Grant for the same purposes as the PPP loan
- Application link: <https://disasterloan.sba.gov/ela/>

Employee Retention Credit

- **Refundable** credit against payroll taxes
- 50% of the first \$10,000 of compensation paid to each eligible employee
- Makes you ineligible to participate in the Paycheck Protection Program
- Using the same assumptions from the prior PPP example, the BENEFIT under the Employee Retention Credit would have been \$18,000
- Current guidance says that the IRS is developing a special form for requesting the refundable portion of the credit for those of us who do not file tax or information returns



Employer Payroll Tax Payment Deferral



- Allows deferral of payment of employer portion of social security (6.2%) incurred in 2020
- 50% of the deferred amount is due by 12/31/2021
- Remaining 50% of the deferred amount is due by 12/31/2022
- Makes you ineligible to participate in the Paycheck Protection Program
- May be applicable to deferral of a portion of self-employment tax for clergy; more guidance forthcoming

Unemployment Provisions



- Administered through State Unemployment Programs
- Adds \$600 Federal Pandemic Unemployment Compensation to the State unemployment amount
- Extends the maximum 26-week eligibility period to 39 weeks
- Adds immediate first-week payment
- You must qualify under certain conditions for unemployment related to the COVID-19 crisis

Helpful Links for the CARES Act



- [Treasury Dept. – Paycheck Protection Program Info & Application](#)
- [Small Business Owner’s Guide to the CARES Act](#)
- [CARES Act Key Provisions Relevant for Non-Profits](#)
- [Unemployment Compensation Under the CARES Act](#)

Families First Coronavirus Response Act

- Requires payment of up to 80 hours (two weeks) of Sick Leave at full pay for employees who are either quarantined or isolated due to COVID-19
- Requires payment of up to 80 hours (two weeks) of Sick Leave at 2/3 pay for employees who need to care for an individual who is either quarantined or isolated due to COVID-19
- Covered employers qualify for dollar-for-dollar reimbursement through tax credits for all qualifying wages paid under the FFCRA
- More guidance can be found here:
 - [FFRA - Employer Paid Leave Requirements](#)

State Resources

- NJ Economic Development Authority Small Business Emergency Loans
 - Up to \$100K
 - Must have been negatively impacted by the COVID-19 outbreak
 - Provides low-cost and flexible terms
 - No fees for first 5 years of the loan
 - More information can be found [here](#)
- At this time it does not appear that we are eligible for NJEDA Small Business Emergency Grants – but stay tuned!

WHAT DO WE DO NOW?

- Payroll Protection Program First
 - Contact your bank to see if they are an SBA lender for this purpose; if they are not, find one nearby who is
 - Get your 2019 and 2020 payroll cost information and documentation together
 - Calculate your average monthly payroll (template posted on diocesan COVID-19 financial info webpage)
 - Fill out the application and follow your bank's process for submitting
- Apply for Emergency Economic Injury Disaster Loan/Grant, also through your SBA lender
- Attend our [Financial Resourcing Focus Group](#) on Monday at 10 AM or 7 PM for more details and sample calculations/forms