COVID-19 Round Two
Sources of Financial & Cash Flow Assistance to Churches
“See, I am sending you out like sheep into the midst of wolves; so be wise as serpents and innocent as doves.”

Matthew 10:16
The Coronavirus Aid, Relief and Economic Security ("CARES") Act – What’s Next??
Updated SBA Guidance for Faith-Based Organizations
CARES Act Relevant Updates

Paycheck Protection Program
Economic Injury Disaster Loans/Grants
Employee Retention Credit
Deferred Payroll Tax Payments
Unemployment Provisions
PPP Loan/Grant Relevant Update Summary

• Affiliation Clarification – “If the connection between your organization and another entity that would constitute an affiliation is based on a religious teaching or belief or is otherwise a part of the exercise of religion, your organization qualifies for an exemption from the affiliation rules.”¹ In layman’s terms, this clarifies that each congregation in our Diocese is recognized as an independent entity for purposes of applying for PPP loan/grant assistance.

• Inclusion of stipendiary employees whose earnings are reported on 1099s rather than through payroll – “Any amounts that an eligible borrower has paid to an independent contractor or sole proprietor should be excluded from the eligible business’s payroll costs. However, an independent contractor or sole proprietor will itself be eligible for a loan under the PPP, if it satisfies the applicable requirements.”¹

¹ SBA Payroll Protection Program Loans – FAQs Updated April 8, 2019
• What if I already included stipendiary employees in my application? – “Borrowers and lenders may rely on the laws, rules, and guidance available at the time of the relevant application.”¹ – you need not revise your application but should be prepared if your bank decides to adjust it accordingly.

• When does the eight-week “forgiveness period” begin? – “The eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower. The lender must make the first disbursement of the loan no later than ten calendar days from the date of loan approval.”¹

¹ SBA Payroll Protection Program Loans – FAQs Updated April 8, 2019
PPP Loan/Grant Relevant Update Summary

• Does the $100K-per-employee compensation exclusion apply to all employee benefits of monetary value? – “No. The exclusion of compensation in excess of $100,000 annually applies only to cash compensation, not to non-cash benefits, including:
  • employer contributions to defined-benefit or defined-contribution retirement plans;
  • payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums; and
  • payment of state and local taxes assessed on compensation of employees.”¹

¹ SBA Payroll Protection Program Loans – FAQs Updated April 8, 2019
• What time period should we use to determine their number of employees and payroll costs to calculate our maximum loan amounts? – you can choose either of:
  • The 12 months immediately preceding the month-end prior to your application date, or
  • The 2019 calendar year

• How do we determine “number of employees”? – you can choose the average number of employees during
  • The 12 months immediately preceding the month-end prior to your application date, or
  • The 2019 calendar year, or
  • The average number of employees per pay period in the 12 completed calendar months prior to the date of the loan application (full-time and part-time employees each count as one employee)

Source – Nonprofit CPA CARES Act Provisions for Nonprofits Updated 04.07.2020
PPP Loan/Grant Relevant Update Summary

• What if we’re a seasonal chapel? – you may use average monthly payroll for the period between February 15, 2019 or March 1, 2019, and June 30, 2019.

• Is cash housing allowance for clergy includible in payroll costs? – we believe so, but individual lenders and future guidance may indicate otherwise.

• How much of the loan can be eligible for forgiveness? –
  • 75% or more of the loan must be used for payroll costs (which includes pension assessments and health insurance premiums
  • The remaining 25% may be used for rent, mortgage or loan interest, and utilities (including electricity, gas, water, transportation costs, telephone and/or internet costs)
  • Potentially reduced by an amount calculated pursuant to a formula designed to measure whether or not we reduced our workforce during early 2020 (clarification TBD)
  • Contingent upon sustaining each employee’s salary or wages at a level at or above 75% of pre-COVID-19 levels.

Source – Nonprofit CPA CARES Act Provisions for Nonprofits Updated 04.07.2020
PPP Loan/Grant Relevant Update Summary

• What if some of my loan is not forgiven?
  • Payments are deferred for 6 months
  • Maximum term of the loan is 2 years
  • Interest rate is 1% per annum; accrued interest is forgiven in proportion to amount of loan forgiven
  • No prepayment penalties

Source – Nonprofit CPA CARES Act Provisions for Nonprofits Updated 04.07.2020

• How do I maximize loan forgiveness?
  • Continue paying employees at pre-Feb. 15, 2020 levels
  • Prior to June 30, 2020, re-hire and/or back pay employees who have been furloughed or laid off
  • Continue paying health/dental insurance premiums and pension assessments during the 8-week forgiveness period
  • Ask the Diocesan Finance Office for help if cash flow during the 8-week period is a problem
I didn’t apply for a PPP loan/grant or my application was unsuccessful. Now what??
CARES Act Relevant Updates

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Employee Retention Credit Summary

• Refundable credit against payroll taxes

• 50% of the first $10,000 of compensation paid to each eligible employee

• Available if you were ineligible to participate in the Paycheck Protection Program

• 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
CARES Act Relevant Updates

- Paycheck Protection Program
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- Employee Retention Credit
- Deferred Payroll Tax Payments
- Unemployment Provisions
Deferred Payroll Tax Update Summary

• 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
• Available if you were 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
CARES Act Relevant Updates

- Paycheck Protection Program
- Economic Injury Disaster Loans/Grants
- Employee Retention Credit
- Deferred Payroll Tax Payments
- Unemployment Provisions
Unemployment Provisions

• Provides unemployment benefits to workers from churches, religious organizations and small non-profits where employment would not normally be covered under state unemployment law.

• Expanded benefits funded by the federal government will be 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
Whether or not I applied for a PPP loan/grant, what else should I be considering??
CARES Act Relevant Updates

- Paycheck Protection Program
- Economic Injury Disaster Loans/Grants
- Employee Retention Credit
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- Unemployment Provisions
Economic Injury Disaster Loans/Grants

- 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 **$1,000 per employee (updated guidance)**, up to a maximum of $10,000
- Unlike the PPP, this application process is directly with SBA, not with banks
- Like the PPP, this application process has been fraught with confusion, misunderstanding and delays
Economic Injury Disaster Loans/Grants

• To access the grant, you must apply for a loan (which can be equivalent to the grant)

• Because of the new “per employee” criteria for the grant, this is no longer such an attractive option for small congregations without payroll

• Loans are low-interest (2.75%) with one-year deferral on start of repayment and 15 to 30-year terms

• 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/
Church Pension Group Deferrals/Waivers

- 90-Day Payment Deferrals
- 2 Month Waivers
• Applies to both pension assessments and health insurance premiums
• Automatically granted – no application process needed
• Coordination with PPP loan/grant – if you have applied for a PPP loan/grant, you should WAIT to take advantage of this until after the 8-week forgiveness period, in order to maximize the amount of forgiveness on your PPP loan.
Church Pension Group Deferrals/Waivers

- 90-Day Payment Deferrals
- 2 Month Waivers
CPG 2-Month Waivers

• Apply to pension assessments only
• Should only be used after PPP loan/grant is considered and after 90-day deferral period is exhausted
• Application form required – contact diocesan finance office as applicable
• Coordination with PPP loan/grant – if you have applied for a PPP loan/grant, you should WAIT to take advantage of this until after the 8-week forgiveness period, in order to maximize the amount of forgiveness on your PPP loan.
In light of all the above, have you done your short-term cash flow projections?
Cash Flow Forecast Considerations

- Pledge/plate contributions by mail
- Impact of eGiving contributions
- PPP loan/grant revenue, or
- Payroll Retention Credit impact, or
- Unemployment impact
- CPG deferrals/waiver
- Minimizing non-payroll/utilities costs
• Treasury Department PPP Web site (includes information helpful links and application form)
• PPP Maximum Loan Amount Calculator Template
• Updated Authoritative Guidance on the CARES Act
• Small Business Administration Faith-Based FAQs
• Sample PPP Calculation with Payroll Retention Credit Comparison