



Applying for Loans through the CARES Act

What your ministry needs to know

Loan Types Available

There are two types of loans available in response to the COVID-19 pandemic, **Payroll Protection Program (PPP)** loans and **Economic Injury Disaster Loans (EIDL)**. We shared information about PPP loans, which are a Small Business Administration loan, in an earlier email and on our microsite with additional information below. EIDL loans are SBA disaster loans.

EIDL loans are already available and the application can be accessed [here](#). EIDL loans are generally not forgivable, but organizations can get an advance of up to \$10,000 within three days of applying. If the organization is ultimately denied for a further EIDL loan, the initial (up to) \$10,000 amount will be treated as a grant and is forgivable. Although it was originally unclear whether religious institutions were going to be able to apply for EIDL loans, the SBA has issued FAQs [posted here](#) that state that religious institutions are eligible. Please note, however, that as of April 13, 2020 it is our understanding that the application still asks applicants to “provide the secular social services to the general public.”

Preparing to Apply for a PPP Loan

On Wednesday, March 31, the link to apply for a loan through the CARES Act’s **Paycheck Protection Program (PPP)** was released. You can access the application and additional information for borrowers [here](#).

Initially there was not clear guidance about the eligibility of religious organizations to apply for PPP loans, but since that time we have received confirmation that religious organizations in fact should be eligible. We have posted a [joint congressional letter](#) and [FAQs from the SBA](#) that expresses that faith-based organizations are eligible for these loans. Ministries may want to access this letter and FAQs in case you are questioned about eligibility for a loan.

Applications started Friday, April 3, so you need to act quickly in order to have a possibility of receiving a loan.

Contact your bank to find out if it is an approved SBA lender, and if so, how you can reserve a place “in line” for applications. If your bank is not an approved SBA lender you can find one [here](#). *We don’t want our ministries to get left behind!*

Start collecting the information you will need to fill out the application:

- Documentation for the average monthly payroll for 2019.
 - > W-2s and quarterly 941 reports are a good source for this information.
 - o Note that there is a maximum salary of \$100,000 per employee written into the Act, so cap all salaries over that amount at \$100,000 for these purposes .
 - > Amounts excluded as housing allowance.
 - > Documentation of benefits costs during the same 12-month period, including the CHP, CRP, and CRSP 403(b) employer match, as these count in computing average monthly payroll.
 - o Note that there is a maximum salary of \$100,000 per employee written into the Act, so deduct any CRSP match amount or CRP contribution amount associated a salary amount over \$100,000.
 - > Average number of full-time equivalent employees (FTEs)

- o In determining the amount of the loan that may be forgiven, the average number of FTEs your organization employs during the covered week period after your loan is issued will be compared against the number of FTEs in either of the periods below, and the forgiveness will be reduced by a reduction in FTEs from the periods below:
 - February 15, 2019 through June 30, 2019, or
 - January 1, 2020 through February 29, 2020
- The tax ID# and full legal name of each entity.
- Documentation on any other COVID-19 relief programs you are applying for (see below).

The key to giving your ministry the best chance to obtain a loan is to be organized and ready. ***Please contact your tax advisor or attorney with any ministry-specific questions.***

Pairing PPP Loans With Other CARES Provisions

If your ministry chooses to apply for a loan through the PPP, there are some restrictions on the ministry's ability to take advantage of other provisions of the CARES Act.

Payroll Protection Plan Loan through SBA

- If you have received a PPP loan but it has not yet been forgiven, you can defer the employer share of Social Security tax during the "payroll deferral period" of March 27, 2020 through December 31, 2020. However, once your loan is forgiven you can no longer defer these Social Security taxes. The taxes that you have already deferred will not have to be repaid immediately, but will have to be repaid in the following two years.
- The business may still apply for other SBA assistance including Economic Impact Disaster Loans, however the loans cannot be used for the same purpose.
 - > Example: If a business uses a PPP loan to cover payroll for during the loan period, the business cannot use a different SBA loan to make payroll for that same period (although the business could use it for a different period).
- The business cannot receive an Employee Retention Credit for employers subject to closure due to COVID-19, if it has received a PPP loan.

Payroll Tax Deferment

- The deferment allows businesses to postpone paying the employer portion of Social Security payroll taxes that would otherwise be required to be paid from date of enactment of bill through December 31, 2020.
- If the business has received loan **forgiveness** under PPP or other Treasury program it is not eligible for Payroll Tax Deferment.

Employee Retention Credit for Employers Subject to Closure due to COVID-19

- The credit gives employers a refundable credit against applicable employment taxes of up to \$5,000 per employee in 2020.
- A business cannot receive this credit if the employer has received a PPP loan.

For more information on any provision of the CARES Act visit our [web site](#).