

***The CARES Act/ Paycheck Protection Program: providing loans for PCA Ministries during this pandemic period***

The Coronavirus Aid, Relief, and Economic Security ('CARES') Act was signed into law on March 27<sup>th</sup> and it includes several key provisions PCA Retirement & Benefits (RBI) believes will benefit our retirement plan participants. We will post a video on Friday evening which will highlight key provisions of the CARES Act, as well as the Coronavirus Preparedness Response Act ('CPR') and the Families First Coronavirus Response Act ('FFCR'). We will look at all three pieces of legislation from a ministry perspective.

However, today we would like to highlight a specific provision of CARES Act known as the *Paycheck Protection Program (PPP)*. This provision provides federally funded loans to small businesses, including eligible PCA churches, Christian schools and other related ministries. It is important to note, the loans may be forgiven assuming ministries maintain their payroll cost (detailed below) during the crisis. The intent of this provision is to prevent small businesses from closing and prevent a sharp rise in unemployment due to employees losing their jobs.

The CARES Act allows for up to \$349 billion in funding for loans under this program. While this is a massive amount, some experts have concerns that it could easily be depleted if the majority of small businesses are accepted for this benefit. Other experts expect more money to be appropriated if needed. Regardless, we recommend that you examine all options available to your organization and take prompt and responsible action to address your ministry's needs. Should you need a loan under the PPP, start with your local bank and determine whether they are able to issue loans guaranteed by the Small Business Administration.

Listed below are some key points about the PPP for your consideration.

**Eligibility for the PPP loan provision:**

- 501(c)(3) tax exempt organization\*
- Generally, have 500 employees or less
- Were operational on February 15, 2020
- Were paying salaries (and payroll taxes for independent contractors) on February 15<sup>th</sup>

\* If your church has not filed for 501(c)(3) status, you may do so easily through the PCA Administrative Committee. Contact them directly at [ac@pcanet.org](mailto:ac@pcanet.org) or 678-825-1000..

**Borrowing limits:**

Payroll Cost equals: Salary\*\*, wage, commission, or similar compensation plus the following:

- + Employer paid retirement benefits
- + Employer paid group health care benefits
- + Employer paid State or local payroll taxes
- + Appears to include 1099-type payments to contractors

Loan Limit for your ministry (equals the lesser of \$10 million dollars or 2.5 times the average monthly payroll cost over the prior year) \*\*\*

\*\* Employees compensated in excess of \$100,000 annual salary is not included.

\*\*\* Special rules of apply to seasonal employer and employees not in existence for a full year prior to loan date

### Loan forgiveness:

- If you maintain your employees as of February 15, 2020, your loan can potentially be forgiven.
- Loan amounts that are not forgiven will be payable over 10 years at no more than a 4% interest rate
- Payments not eligible for forgiveness may be deferred for at least 6 months, up to a year
- Loan forgiveness is not included in gross income for income tax purposes

### Eligible uses for the loan:

- Payroll costs (detailed above)
- Paid sick, medical, or family leave
- Mortgage Interest
- Rent payments
- Utilities
- Interest on debt that existed as of February 15, 2020

Congress has quickly passed several pieces of legislation to assist business and citizens cope during this pandemic. It is important to note that there is notable amount of details that have not been answered by the administration or federal agencies. Once additional guidance is released, RBI will update our webpage titled [COVID-19](#) and update our information about the CARES, CPRS, and FFCR Acts. In the meantime, we welcome the opportunity to speak with you and provide high level information about these pieces of legislation. You can reach us by contacting (678) 825-1198 or [planning@pcarbi.org](mailto:planning@pcarbi.org).

### Resources

[HR 748](#)

[ECFA – CARES Act](#)

[US Chamber of Commerce – Emergency Loans](#)

Disclaimers: This communication provides a brief summary about Payroll Protection Program within the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”). This summary reflects the Payroll Protection Program as they are currently understood on March 30, 2020, without any agency guidance. This summary is for general information only. It is not a complete analysis and should not be relied upon as legal advice.

PCA churches and related ministries should consider all available types of relief available to them in addition to a Payroll Protection Program loan. Some types of aid, relief or loans are incompatible with obtaining a payroll protection program loan or forgiveness of such a loan