

Paycheck Protection Program of the CARES Act

On March 27, President Trump signed the Coronavirus Aid, Relief and Economic Security (CARES) Act. Of the massive \$2.2 trillion it appropriates, \$349 billion is for the Paycheck Protection Program (PPP), which is loan program targeted at small businesses, including nonprofits. The goal is to incent employers to retain employees rather than laying them off by loaning them two and half month's of payroll. In a few months, employers that receive such loans can have them forgiven if they can prove they incurred payroll and other qualified expenses during the loan period. Over a ten-year period they will have to repay the loan amount above what they can substantiate. The PPP is administered by the Small Business Administration (SBA) and financial institutions that originate SBA loans.

While the questions below are those most frequently asked this week, please see the [West Ohio Conference website](#) for a complete list of resources and additional details.

Q: How should I get started with determining if I should apply for PPP Loan?

A: Contact a bank that originates SBA loans (or visit their website) and find out what documentation they will require. It will include payroll information at a minimum and may include 1099, 501(c)3 documentation (from GCFA -see below), a 2019 financial statement, among other things.

Q: How does my church apply for a PPP loan?

A: Complete [this Small Business Administration application](#) or the form provided by your bank.

Q: Is there a sample application that shows answers for a church?

A: A sample application is at this [link](#).

Q: How can I prove my church is a 501(c)3 nonprofit?

A: Provide your current United Methodist Church group ruling information by going to www.umgroupruling.org and following the prompts. If everything is in order, you'll immediately receive the needed documentation.

Q: The application only provides for a single EIN (Enterprise Identification Number). If my church operates a daycare or school that has its own EIN, can application be made for all EIN's under the church's EIN?

A: Yes. Affiliation rules as forth in 13 CFR § 121.103(a) allow for an entity that controls other entities to apply on behalf of affiliated entities.

Q: Under Conference and church rules, what authorization do I need to make application on behalf of my church?

A: A PPP loan does not require collateral and the times require a streamlined approval process. District Superintendents have provided this guidance:

- *For a traditional church governance structure, pastors will obtain in writing the approval of the chairs of SPRC, Finance, Trustees and Administrative Council (email is fine).*
- *For a leadership team structure, pastors will obtain in writing the approval of a majority of the leadership team.*
- *The Trustee Chair or member of the Leadership Team who serves in that legal capacity should sign the application.*
- *Pastors should send to their Superintendent the approval method followed and the amount of the loan requested.*
- *The action of applying for a PPP loan should be reflected in the minutes of the next convened Leadership Team or Administrative Council meeting.*

Q: My bank says churches aren't eligible for the PPP, is that right?

A: Congress made clear that nonprofits are eligible, and churches are nonprofits under Section 501(c)3 of the Internal Revenue Code (IRC). The SBA has not been consistent in answering this question, however, and congressional advocates are actively lobbying for clarification on behalf of churches.

Q: I've read that loans will be made on a first come, first served basis. What does that mean?

A: The SBA will fund loans on a first come first serve basis. Banks reserve the right to prioritize loan applications and submit only when they receive documentation they require to support the loan.

Q: If the amount appropriated by Congress runs out, does that mean my church has missed its opportunity under this part of the CARES Act?

A: Maybe. While "only" \$349 billion is currently appropriated, Congress has indicated additional Covid-19 relief is on its way. This might be a program to which Congress appropriates additional funds.

Q: Why is the guidance on the PPP changing every day?

A: This is a huge program that does not follow the usual administrative processes of the SBA and banks. It will take some time to clarify and operationalize Congress' intent. Please be patient and check reputable resources regularly.