



Your Church and the Coronavirus Aid, Relief, and Economic Security (CARES) Act

Your local church likely qualifies for a grant from the federal government under Payment Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020. As of April 1, 2020, attorneys are still sorting through the details and the Department of Labor is writing guidance.

See below for a summary of the program, as we understand today. The Northern Illinois Conference hopes to develop supports for local churches interested in participating in this program.

Several resources can walk you through this process to see if your church can benefit from the grant. *Christianity Today* will host a webinar presentation from Richard Hammar, the consummate authority on church finance and law. [Register for the free webinar here.](#)

We've found resources available online that should can help address your questions:

[SBA questionnaire to establish your eligibility](#)

[Wespath Resources for COVID-19](#)

[GCFA Resources for COVID-19](#)

[Video explanation of the program](#)

[NOW is the time to get more people enrolled in e-giving](#)

[Discipleship Resources information on giving during COVID-19](#)

[Horizons Stewardship Coronavirus Resources](#)

[Church Law and Tax Resources](#)

Many details about the program continued to be clarified (e.g., how does clergy housing compensation figure into the calculation). Before these clarifications come to light, churches can prepare to apply:

1. Select one or two members to learn about the program and to eventually file the application.
2. The amount of funds the church qualifies for will be based upon 2019 financial information; specifically, compensation and benefits during those months. You will need to provide a financial statement and verify its accuracy. This will include documenting the church's spending on employee costs (salary and benefits) on a monthly basis. You will also need to have a reliable count on FTEs (Full Time Equivalent) positions employed by the church corporation for each of the comparative months.
3. Ask your current bank if they are an SBA lender, as grants will be administered through the SBA loan process. If your bank participates, ask them for the application. If your bank does not participate, you will need to find an SBA lender. You will want to use a recognizable and reputable financial organization. Be wary of offers from brokers to manage this on behalf of the church.

Summary of the CARES Act Provisions

The summary below reflects NIC staff's understanding of this program as of March 30, 2020. Details are forthcoming, as the situation is somewhat fluid at this point. This summary may contain inaccuracies regarding the official operation of the program. This is neither legal advice nor an offer to lend.

Charitable Donations – Taxpayers who use the standard deduction when paying federal income taxes are eligible for an additional \$300 charitable contribution deduction in 2020. Tell your donors!

Paycheck Protection Program – The stated goal of this program is for businesses to continue paying employees even when economic activity at the small business has ebbed. Churches qualify for the program. The deadline to apply is June 30, or when all the money has been disbursed. Here is how it works:

1. The church applies for an SBA 7(a) loan from their local bank (or other SBA lender). The loans are unsecured and do not require a guarantee nor creditworthiness. The church needs to provide financial statements.
2. The amount of the loan is capped at 2.5 times the average monthly compensation and benefit costs paid by the employer over the prior 12 months. Included in the calculation is spending on wages for all employees (detail on clergy housing allowances still pending), health insurance premiums paid by the church, and pension payments paid by the church. Independent contractors may qualify, but that has not been confirmed.
3. The funds should be used to retain employees and can only be used for continuing obligations like compensation (including sick leave, vacation, etc.), benefits, utilities, and mortgage interest, or rent for an 8-week period commencing with the start of the loan.
4. Later, a portion of the loan will be forgiven if you meet the program's goal of retaining employees.
 - a. First, calculate the monthly average number of Full Time Equivalent (FTEs) employees from February 15, 2019 through June 30, 2019.
 - b. Then compare to the monthly average number of FTEs February 15, 2020 through June 30, 2020.
 - c. If the church has as many (or more) employees in 2020 than was employed in 2019, all the loan is forgiven. The church is effectively given a grant.
 - d. If the church has fewer employees in 2020 than in 2019, then you would calculate the percentage. So, for example, if a church had 10 FTEs in 2019, but 7.5 FTEs in 2020, then 75% of the loan is forgiven as a grant and the remaining 25% would be a loan the church could either pay off with the proceeds of the loan or make payments of up to 10 years at an interest rate capped at 4%.
 - e. Keeping employees but reducing their wages could also affect the amount of the loan that is forgivable.

Emergency Paid Sick Leave Act – This act requires all employers to offer 2 weeks of paid sick leave to persons sick with COVID-19 or caring for a family member with COVID-19 in addition to their current leave benefits.