

## Frequently Asked Questions:

# PAYCHECK PROTECTION PROGRAM

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### WHAT IS THE PAYCHECK PROTECTION PROGRAM (PPP)?

**A:** On March 27, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance to state and local governments, individuals, families, businesses, and nonprofits affected by the COVID-19 pandemic. Among other things, the Act authorizes the Small Business Administration (SBA) to temporarily guarantee loans under a new loan program titled the “Paycheck Protection Program.”

PPP loans are meant to help small businesses and nonprofits keep workers employed during this time of economic uncertainty and therefore must be used to cover certain costs related to payroll, operations, and debt service. The loans can be forgiven, in whole or in part, if certain requirements are satisfied.

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### ARE CHURCHES AND OTHER RELIGIOUS NONPROFITS ELIGIBLE?

**A:** Yes, eligible recipients include 501(c)(3) tax-exempt organizations with 500 or fewer employees, including churches and faith-based organizations. Churches are not required to have applied to the IRS for tax-exempt status.

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### HOW SHOULD I COUNT THE NUMBER OF EMPLOYEES?

**A:** The 500-employee limit includes all employees—full-time and part-time. Although the SBA has affiliation rules that initially raised concerns about whether a group of churches or an entire denomination should be considered a single organization for the 500-employee limit, the SBA has clarified that an organization is exempted from the affiliation rules if the “affiliation is based on a religious teaching or belief or is otherwise a part of the exercise of religion.”

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### HOW MUCH CAN I BORROW UNDER THE PROGRAM?

**A:** Loans can be up to 2 1/2 times your average monthly payroll costs for the one-year period preceding the date of the loan, not to exceed \$10 million. You may receive only one loan under the PPP.

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### WHAT QUALIFIES AS “PAYROLL COSTS”?

**A:** For employers, payroll costs include the sum of any compensation to employees in the form of:

- Salary, wages, commissions, or similar compensation;
- Cash tips or the equivalent;
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payment for providing employee benefits consisting of group health care coverage, including insurance premiums, and retirement; and
- Payment of state and local taxes assessed on compensation of employees.

Payroll costs do not include:

- Any compensation of an employee whose principal place of residence is outside the United States;
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
- Payroll taxes, railroad retirement taxes, and income taxes;
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127).



### ARE THERE LIMITS ON HOW I CAN USE A PPP LOAN?

**A:** Yes. At least 75% of the PPP loan must be used for payroll costs. The remaining amount can be used only for: costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; mortgage interest (but not principal); rent; utilities; and interest on any other debt obligations that were incurred before February 15, 2020.



### IS IT TRUE THAT A PPP LOAN CAN BE FORGIVEN?

**A:** Yes. Loan forgiveness is available up to the full principal amount of the loan and any accrued interest, assuming loan proceeds are used for permitted purposes.



### WHEN CAN I APPLY?

**A:** You can apply now. The SBA started taking applications on April 3 and is authorized to guarantee loans through June 30, 2020. Because there is a funding cap of \$349 billion, and the SBA has made clear that the program is “first-come, first-served,” your ministry should decide if applying is appropriate as soon as possible.



### HOW CAN I APPLY?

**A:** You can request a loan through an SBA-participating lender.



### WHAT TYPE OF INFORMATION WILL LENDERS CONSIDER?

**A:** In evaluating eligibility, lenders will consider whether your church or organization was in operation on or before February 15, 2020 and had employees for whom you paid salaries and payroll taxes or paid independent contractors.

You must also make a good-faith certification that:

- (1) The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations;
- (2) The loan proceeds will be used to retain workers and maintain payroll or make mortgage, lease, and utility payments;
- (3) There is no other application pending for a loan that is duplicative of the purpose and amounts applied for under the PPP; and
- (4) From February 15, 2020 to December 31, 2020, no loan has been received that is duplicative of the purpose and amounts applied for under the PPP.

In addition, you must provide financial records and documentation verifying the requested loan amount and use of loan proceeds. False statements made in a loan application are punishable by law. And the government may hold you legally liable if the funds are knowingly used for unauthorized purposes.



### ARE THERE ANY RELIGIOUS FREEDOM CONCERNS?

**A:** The Paycheck Protection Program raises some religious freedom concerns. The SBA has since issued helpful guidance and clarification on how the program will be applied to faith-based organizations. A summary of these issues is available [here](#).

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