



Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and Applicability to Churches

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. This includes religious institutions impacted by Covid-19.

Among the provisions contained in the CARES Act are those authorizing the Small Business Administration (“SBA”) to temporarily guarantee loans under a new Section 7(a) loan program titled the Paycheck Protection Program (“PPP”). Loans guaranteed under the PPP will be 100 percent guaranteed by SBA. The full principal amount of the loans may also qualify for loan forgiveness. SBA is authorized to guarantee loans under the PPP only through June 30, 2020. SBA will allow lenders to rely on certifications of the borrower in order to determine the borrower’s eligibility and use of loan proceeds and to rely on specified documents provided by the borrower to determine the qualifying loan amount and eligibility for loan forgiveness. An entity which employs fewer than 500 persons and is a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC) is eligible for these loans. Churches, therefore, are eligible to receive loans under the PPP, which can be used to pay the salaries and benefits of ministers and other staff.

The proceeds of a PPP loan are to be used for the following: payroll expenses; costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; mortgage interest payments (but not mortgage prepayments or principal payments); rental payments; utility payments; interest payments on any other debt obligations that were incurred before February 15, 2020; and/or refinancing an SBA EIDL (Economic Injury Disaster Loan) loan made between January 31, 2020 and April 3, 2020. EIDL is an existing SBA loan program which provides what is actually a grant of up to \$10,000.00 in emergency relief.

In order for the loan to be forgiven, at least 75% must be used for payroll costs. For purposes of loan forgiveness, however, the borrower will have to document the proceeds used for payroll costs in order to determine the amount of forgiveness. A church can apply for a loan at any bank or financial entity authorized to make SBA loans. Again, it is critical to remember that the deadline is June 30, 2020 and an entity can apply only for one loan. The number of applications made already is tremendous. A church contemplating applying for a PPP loan should do so as quickly as possible.

In addition to offering churches the ability to apply for loans to sustain their operations, the CARES Act also allows employees who would not ordinarily be eligible for state unemployment compensation the possibility to receive payment if they lose their positions as a result of the Covid-19 pandemic by expanding the resources of the states to provide unemployment insurance coverage. Church workers are often employed by entities which do not contribute to unemployment compensations funds. Under ordinary circumstances therefore, church employees who lose their positions are often without recourse to file an unemployment compensation claim. Under the CARES Act, such workers who are laid off due to the pandemic may be able to receive the special \$600 per week CARES Act compensation and possibly an extension of the number of weeks of eligibility for payment. Laid-off workers are urged to contact their state unemployment compensation agency to learn how to apply for these special benefits.

The CARES Act offers much needed help to U.S. citizens and businesses, including to religious entities and employees. Act today to secure information and benefits about these programs.

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April 14, 2020

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