



PAYCHECK PROTECTION PROGRAM



Tips for Local Churches Applying For Loan Forgiveness

Many local churches and church-related not-for-profit organizations received Paycheck Protection Program (PPP) loans. These loans are forgiven and converted into grants if certain requirements are met.

- Borrowers apply for forgiveness through the same financial institution they used to obtain the loan. Contact your financial institution to learn their forgiveness application process.
- The borrower must submit its forgiveness application within 10 months of the completion of its “Covered Period,” which is either:
 - The 24-week (168-day) period beginning the day you received the loan proceeds
 - If you received your loan proceeds before June 5, 2020, you may elect an 8-week (56-day) period.

Payroll Costs

- To calculate the compensation amount for forgiveness of payroll costs, use the gross compensation before deduction for taxes, employee benefits, utility/parsonage exclusion, etc.
- For example, this would be the “Compensation” line from the 2020 ministerial support form for your pastor (the portion of that number that reflects the Covered Period).
- The forgivable compensation per employee is limited to \$100,000 on an annualized basis.

- Include in payroll costs the amounts paid by the church during the covered period for the health fee, CRSP DB and CRSP DC. These costs are not included in the \$100,000 compensation limit.
- If you have a part-time pastor for whom you pay an employer match retirement contribution to Wespath, that payment during the covered period is included in payroll costs for purposes of the forgiveness.
- Do not include amounts withheld from the pastor or employee's pay for insurance or retirement in the calculation of payroll costs for forgiveness.

Non-Payroll Costs

- Eligible non-payroll costs include utilities, mortgage interest, and rent/lease payments. Eligible expenses are those that were:
 - Paid during the Covered Period, or
 - Incurred during the Covered Period AND paid by a due date that falls after the end of the Covered Period.

Factors Reducing Loan Forgiveness

- To receive loan forgiveness, at least 60 percent of the loan must be used for payroll costs.
- If you did not use at least 60 percent for payroll costs, the amount forgiven will be reduced.
- If you reduced your average full-time equivalent (FTE) count or reduced compensation levels for one or more employees by more than 25 percent, you may not be eligible for full loan forgiveness.
- The loan forgiveness application will lead you through the two safe harbors available to achieve compliance.
- If the safe harbors do not apply to you, the application will lead you through the calculation of reduced forgiveness.