



# PAYCHECK PROTECTION PROGRAM



Local churches of the South Carolina Conference of The United Methodist Church could be eligible for an emergency loan to help pay salaries, mortgage interest, rent and other operating expenses, such as utilities and insurance premiums, under a newly enacted federal coronavirus relief program.

The [Paycheck Protection Program](#) – part of the [Coronavirus Aid, Relief and Economic Security Act](#) – is administered by the [Small Business Administration](#) through its existing lender network. In certain circumstances, the loans will be forgiven completely or in part.

Conference leaders have developed this introduction to the basic principles of the new program to help local church leaders prepare.

## Who is eligible?

PPP loans are available to churches with fewer than 500 employees.

## How much can the church borrow?

The total loan cannot exceed \$10 million. The amount will be determined by taking average monthly payroll costs from the date of loan origination to one year prior and multiplying that by 2.5. When calculating the average payroll, exclude:

- The compensation of an individual employee in excess of an annual salary of \$100,000.
- Wages paid under two parts of the Families First Coronavirus Response Act – the [Emergency Paid Sick Leave Act](#) and the [Emergency Family and Medical Leave Expansion Act](#) – because you can receive a payroll tax credit for these wages.

## How can loan proceeds be used?

- To cover payroll costs, such as:
  - Employee salaries and wages, including independent contractors
  - Payment for vacation, parental, family, medical or sick leave
  - Allowance for dismissal or separation
  - Group health care benefits including insurance premiums
  - Payment of retirement benefits
- To pay mortgage interest, rent, utilities and interest on any debt obligation existing prior to Feb. 15, 2020. These costs must be incurred between Feb. 15 and June 30, 2020.
- Other church expenses, which might not be eligible for forgiveness (see “Can the loan be forgiven?” below).

**What is the interest rate?**

Fixed rate: 1 percent (initially reported as 0.5 percent, but the rate has been updated)

**When must the loan be repaid?**

Two years. Payments will be deferred for six months.

**Can the loan be forgiven?**

Yes, as long as:

- Loan proceeds are used to cover payroll costs, mortgage interest, rent, and utility costs incurred and paid over the eight-week period after the loan is made; and
- Employee and compensation levels are maintained.

Your loan forgiveness will be reduced if you:

- Decrease your full-time employee headcount.
- Decrease salaries and wages by more than 25 percent for any employee that made less than \$100,000 in 2019.

You have until June 30, 2020, to restore your full-time employment and salary levels for any changes made between February 15, 2020, and April 26, 2020.

**Would the forgiven loan amount be considered taxable income to the church?**

No.

**How would I apply for loan forgiveness?**

Through your lender. You will need to document how you spent the loan proceeds and show that they were for expenses eligible for forgiveness.

**What are the costs of taking out a loan?**

Most fees will be waived, but you might be charged a lender-servicing fee. No collateral is required.

**How do I apply for a loan?**

Through a bank in the Small Business Administration's lender network. It is expected that this lender network will be expanded to accommodate the increased volume of loan requests. Contact the bank you already are doing business with to find out if it will participate in this program. Banks might prioritize helping their current clients over non-clients because of the expected volume of applications.

**What if my bank is not participating in the program?**

You can apply directly with the SBA [using this application](#), or [find another bank](#) in South Carolina that is part of the SBA lender network.

## What are key dates for this loan?

Applications will be accepted beginning April 3, 2020. The loan must be obtained before June 30, 2020. Once you obtain the loan, you have eight weeks to incur and pay for expenses eligible for forgiveness.

## What will I need when I apply for the loan?

You likely will need some or all of the following:

- Taxpayer Identification Number (TIN) or Federal Employer Identification Number (FEIN)
- Financial statements for 2019 and 2020 (year-to-date). It is expected that the minimum requirement will be a profit-and-loss statement and balance sheet.
- A comparison of weekly offerings for the first quarter of 2020 to the first quarter of 2019 (to demonstrate the financial hardship the COVID-19 pandemic has placed on your church).
- Payroll tax filings for 2019 (W-2s, W-3s, Form 941 or Form 944, if applicable).
- A monthly schedule of payroll costs for 2019 and 2020 (year-to-date).
- Calculation of your average total monthly payroll costs incurred for the 12 months prior to your loan application, with documentation supporting your calculation. This will be used to determine the maximum amount of your loan.
- Form 1099 filed for 2019.
- If your only employee is your pastor, you might not have Form 941 or Form 944 to present with your loan application. You should include the [1997 letter from the Internal Revenue Service](#) confirming the reason you do not file these returns.
- [Letter of 501\(c\)\(3\) status](#), explaining you are included in the United Methodist Church's group ruling.

## Church process

- Finance Committee begins to collect data and contacts lender to let them know the church might apply for a PPP loan.
- Pastor consults with district superintendent about decision to apply.
- Finance Committee reviews data and [approves this resolution \(click to download\)](#) to be forwarded to the Church Council.
- Church Council [approves this resolution \(click to download\)](#).
- Because of the pandemic, the Finance Committee and Church Council must meet by Zoom or conference call. All parties must be allowed to speak, and the roll and minutes taken. The vote may be ratified in person at a later date.

## Questions?

Email Conference Treasurer Beth Westbury at [bwestbury@umcsc.org](mailto:bwestbury@umcsc.org).