

Information Concerning the Payroll Protection Program  
CARES Act  
Provided by the Texas Annual Conference  
United Methodist Church  
April 1, 2020

Contact: Rev. Mike Tyson, [mtyson@txcumc.org](mailto:mtyson@txcumc.org)

With the recent passage of the stimulus package known as the CARES Act, and within it the Paycheck Protection Program it is possible that funds may be available for your church to help weather this storm. While churches should not borrow funds for normal operating expenses, these are not normal times. As it is presented, this loan might be forgiven and become a grant to a church, **if the church carefully and exactly follow all the rules.** This is a fast moving and fluid situation and as more information is available and clarifications are made, we will share updates with you as soon as we can. If you plan to apply for the loan program, some indications suggest that decisions made about the allocation of this money will be made quickly. Early applications may have better chances for approval. It is anticipated that the SBA will finalize the application some time on Friday April 3.

This loan will be administered through local banks that are authorized by the Small Business Administration (SBA). The SBA is currently streamlining efforts to get as many local banks approved by the SBA as possible. So, begin by contacting your local bank and ask them about its participation in this program. If it is not a part of the SBA program, then reach out to an SBA authorized lender. If you need help locating an SBA authorized lender email Rev. Mike Tyson [mtyson@txcumc.org](mailto:mtyson@txcumc.org) for assistance. A list of SBA authorized lenders in the Houston District of the SBA can be found at [https://www.sba.gov/sites/default/files/resource\\_files/All\\_HDO\\_Lenders\\_FY19\\_plus\\_750s\\_March\\_30\\_2020\\_updated\\_VN\\_033020.pdf](https://www.sba.gov/sites/default/files/resource_files/All_HDO_Lenders_FY19_plus_750s_March_30_2020_updated_VN_033020.pdf)

Also, this is a opportunity for scammers and fraudsters, please be aware of the following information from the SBA:

#### **Small Business Scam & Fraud Scheme Advisory**

- SBA *does not* initiate contact on either 7a or disaster loans or grants.
- If someone contacts you promising to get approval of an SBA loan, but requires any payment up front, suspect fraud.
- Look out for phishing attacks/scams utilizing the SBA logo.
- Verify all correspondence you receive; referenced application number is consistent with your actual application number.
- SBA limits the fees a broker can charge a borrower.
- Any email communication from SBA will come from accounts ending with **gov**.

•The presence of an SBA logo on a webpage *does not* guaranty the information is accurate or endorsed by SBA.

•Report any suspected fraud to OIG's Hotline at 800-767-0385 or online at, <https://bit.ly/2UxdAhL>

If you have any questions about this process feel free to email Rev. Mike Tyson at [mtyson@txcumc.org](mailto:mtyson@txcumc.org) .

The following is an abbreviated outline of information regarding the loan program we have received so far.

### **Loan Terms & Conditions**

- Eligible businesses: All businesses, including non-profits, Veterans organizations, Tribal concerns, sole proprietorships, self-employed individuals, and independent contractors, with 500 or fewer employees, or no greater than the number of employees set by the SBA as the size standard for certain industries
- Maximum loan amount up to \$10 million
- Loan forgiveness if proceeds used for payroll costs and other designated business operating expenses in the 8 weeks following the date of loan origination (**due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs**)
- All loans under this program will have the following identical features:
  - Interest rate of 0.5%
  - Maturity of loan minimum of 2 years (your lending institution may offer a longer maturity)
  - First payment deferred for six months
  - 100% guarantee by SBA
  - No collateral
  - No personal guarantees
  - No borrower or lender fees payable to SBA

Visit [treasury.gov/cares](https://treasury.gov/cares) for more information on SBA's assistance to small businesses.

Payroll costs are the sum of the following:

- wages, commissions, salary, or similar compensation to an employee or independent contractor,

- payment of a cash tip or equivalent,
- payment for vacation, parental, family, medical or sick leave,
- allowance for dismissal or separation,
- payment for group health care benefits, including premiums,
- payment of any retirement benefits

Payroll costs do not include:

- the compensation of any individual employee in excess of an annual salary of \$100,000,
- Employers portion of payroll taxes
- any compensation of an employee whose principal place of residence is outside the U.S.
- or any qualified sick leave or family medical leave for which a credit is allowed under the new Coronavirus Relief Act passed last week.

Also, see page 11 on this Wespath information guide <https://www.wespath.org/assets/1/7/5559.pdf> for more information.

**Here are some things you can do now to prepare:**

1. Prepare a list of all employees and sub-contractors (people you pay and send 1099's) whether full time or part time.
2. To determine the amount of the loan, you determine the Average Monthly Payroll for 2019. The loan will equal 2.5 times that amount.
  - a. if your payroll is computed semimonthly or monthly, that will be easily determined. The monthly cost times 2.5 times becomes the amount of the loan,
  - b. Please note that at this writing the inclusion of clergy housing allowance in this figure is still waiting for some clarification from the SBA**
  - c. Included in the total payroll costs are employers' costs for health insurance and pension contributions**
  - d. Not included in this calculation are employers payroll taxes**
  - e. 2.5 times your monthly payroll costs is the maximum you can apply for or \$10 million dollars, whichever is the lesser.
  - f. Your 941 payroll tax forms may be requested to substantiate your payroll amount
3. Although the loan amount was determined by payroll, you may spend the funds as follows:
  - a. Payroll costs as defined in 2 above
  - b. Mortgage interest only-no principal
  - c. Interest on debt incurred before 2-15-2020

- d. Rent
  - e. Utilities
4. It is recommend that all churches work toward only applying for an amount that can be spent in the 8 weeks after the loan is received on the items in number 3 above, so that the entire loan balance will become eligible for forgiveness, thus not placing a budget burden on your church going forward.
  5. A possible method for ensuring evidence of how the funds are used is to either utilize a dormant checking account you currently have or open a separate checking account so that you can prove that you are spending the loan proceeds on eligible items. You will be asked to do so and ease of doing this can be planned for in advance of spending.
  6. There are other programs that are available, but I would caution to look closely at them.
  7. You may not apply for this Paycheck Protection Program if you are applying for other SBA type loans. Please be sure of this before you spend the time in preparing this loan package.

Below is a check list I believe you may find helpful.

### **Paycheck Protection Program Loans/Grants Check List**

1. Have you contacted your banker and determined with whom you shall apply?

Bank \_\_\_\_\_ Bank Contact \_\_\_\_\_

2. Obtain from the bank a Paycheck Protection Program Application Form (SBA Form 2483). Or download here: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>

3. Approval of Church Council \_\_\_\_\_

4. Information

- a. Gather the following:

- i. Your EIN number

- ii. Group Ruling letter from GCFA this can be done instantly here

- [http://umgroupruling.org/\(S\(qwf2ehychanf5jezkofuxdz2\)\)/Default.aspx](http://umgroupruling.org/(S(qwf2ehychanf5jezkofuxdz2))/Default.aspx)

- iii. A copy of your Corporate Certificate as a Texas 501 (c)3 corporation.

- b. Schedule of eligible employees with compensation and other payroll costs per month. People making more than \$100,000 per year are capped at \$100,000. Also, included in this figure is the full amount of employer's payment of pension and health care benefits.

- c. Schedule of sub-contractors who received 1099 forms in 2019 or will receive one in 2020

- d. Form 941 for 2019 and first quarter 2020

- e. Form W-3 and W-2s for 2019

- f. Detailed payroll ledger for 2019 and 2020 to determine the number of full-time equivalent employees Year end 2019 financial reports and 3-31-2020 church financial report

- g. Determination of economic uncertainty that makes the loan request necessary to support the ongoing operations of the church

- h. Plan of spending and handling the funds so that the loan funds become eligible for forgiveness of loan

- i. Plan to apply for forgiveness of the loan after the eight weeks following the loan date.