



A Guide On The CARES Act For Nonprofits And Churches

On March 27, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. This \$2.2 trillion economic stimulus law is intended to give immediate relief for individuals, nonprofits, businesses, and state and local governments. This is the largest relief package in U.S. history, and includes provisions helpful to nonprofit and church organizations. One of the most significant new programs that impacts nonprofits and churches is the Paycheck Protection Program. Below is a brief overview of the program so you can discuss with your board if it is going to be valuable for your organization.

Paycheck Protection Program Loans ([Section 1102](#))

While the SBA program typically provides loans for businesses, it has been expanded in this case to include nonprofits and churches. The emergency SBA 7(a) loan program will provide loans of up to \$10 million for nonprofits and small businesses that are eligible. These loans will allow them to cover costs of payroll, benefits, rent, utilities, and mortgage interest. There is also an opportunity for these loans to be wholly or partially forgiven, under certain circumstances.

1. Which Nonprofits And Churches Are Eligible?

This is available to entities that existed on February 15, 2020 with paid employees or paid independent contractors. You must have 500 or fewer employees.

2. No Personal Guarantee Required

You will not be required to offer a personal guarantee or collateral to secure a loan.

3. Amount Of Your Loan

Your maximum loan amount will equal 2.5 times your average total monthly payroll costs (including benefits) from the one-year period prior to the date of your loan application.

When estimating your payroll costs, you will want to include:

- Salary, wage, commission, or similar compensation
- Payment of cash tip or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of state or local tax assessed on the compensation of the employee

For more details on eligible payroll expenses, check out [this guide by the U.S. Chamber of Commerce](#).

4. Using The Loan

Your nonprofit or church can use loan funds to make payroll and associated costs, including health and retirement benefits, rent, utilities and mortgage interest.

5. Loan Forgiveness ([Section 1106](#))

If your nonprofit or church maintains the same number of employees, and does not reduce salaries and wages by more than 25% for at least eight weeks after the origination of the loan, or if it rehires employees by June 30, it could be eligible for loan forgiveness. This would effectively turn your loan into a grant for qualified expenses, including payroll costs, interest on your mortgage, rent, or utilities. Discuss limits and qualifications with your SBA lender to see if your organization would qualify.

A note for churches: At this time, the program does not specifically indicate if you can include pastoral housing allowances in the loan amount or in loan forgiveness. Be sure to clarify this with your SBA lender as there may be more guidance published in coming days.

Next Step: If you'd like to take advantage of this loan, talk to your local bank that is an SBA Lender. Don't have one? Visit the [SBA website](#).