The CARES Act was signed into law last week. The main features for small businesses are emergency grants and a forgivable loan program for companies with 500 or fewer employees. There are also changes to rules for expenses and deductions meant to make it easier for companies to keep employees on the payroll and stay open in the near-term. Religious institutions and 501c3s are eligible for the following:

**Forgivable loans**: There is $350 billion allocated for the Small Business Administration to provide loans of up to $10 million per business. Any portion of that loan used to maintain payroll, keep workers on the books or pay for rent, mortgage, and/or servicing other existing debt could be forgiven, provided workers stay employed through the end of June.

To apply please follow the following steps:

- **Receive application and resource packet from the Diocesan Office** - Contact keasterlin@gaepiscopal.org or see the attachment to the email communication you have received directly from the Canon for Administration if you are one of the identified churches we recommend apply immediately.

- **Request Tax Verification Group Ruling Letter** - If you plan on submitting an application you will need to prove your 501c3 status through a Group Ruling Letter from the Diocese. Please request one from Maggie Lyons at mylons@gaepiscopal.org if you do not already have one in your files.

- **Submit Packet materials for Standing Committee awareness** - Submit the application to Canon Easterlin to submit to the Standing Committee for awareness on indebtedness. This emergency funding is technically a loan and will be forgiven only under certain conditions. Apply for the amount forgivable under the 8-week period at the 2.5X calculation of 12 months average payroll cost. Any amount that is not forgiven will be subject to a 2-year loan term at 0.5% and payments will be deferred for 6 months.

- **Identify your local Small Business Administration local lender** - Please visit the following site: https://www.sba.gov/local-assistance to identify a bank in your area to which
you can submit an application. Additionally, attached to the application is the preferred lender list from the SBA in Georgia.

- **Submit your loan application** - along with the required supporting documentation requested by the lender.

- **Track receipt and expense of loan** - Track and retain records of how the loan is expended, to use in applying for loan forgiveness. Ensure that you have back-up records for payroll, rent, mortgage, benefits, and utility expenses. Attached to your packet is guidance provided by the Diocesan auditors. 75% of the value of the loan must be used for payroll purposes for forgiveness.

**Application packet includes (click the links):**

1. Borrower Paycheck Protect Program Application
2. PPP Borrower Information FactSheet
3. Excel spreadsheet to calculate payroll and other forgivable expenses
4. Example one pager from an SBA Lender Bank
5. SBA List of Preferred Lenders
6. Guidance from Diocesan Auditors

Below is a message from the Chancellor to the Presiding Bishop offering guidance regarding the Paycheck Protection Program. *Please note that changes and guidance are adjusting daily and we might have to adjust the above process and application guidelines as necessary.*

**Guidance from the Episcopal Church, Letter from Mary E. Kostel Chancellor to the Presiding Bishop**

As you know, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, includes the Paycheck Protection Program (PPP). In simple terms, the PPP provides loans for employers with fewer than 500 employees to help cover payroll and other limited costs for an eight-week period after the loan is made, with loan forgiveness available after that period if certain terms (retaining employees on the payroll, for example) are met. Some details about the Program remain to be defined by the Treasury Department and the Small Business Administration (SBA); we expect to receive guidance from Treasury and the SBA in the coming days. The Episcopal Church’s Office of Government Relations is monitoring these developments closely, and will keep us informed as they occur.

In the meantime, I would like to address two questions that are consistently arising – with the understanding that, in the absence of final and clear guidance from Treasury and the SBA, nothing is certain.

**First:** “Are churches eligible for the loans provided under the PPP?” My answer: Probably yes.
Although the PPP expressly includes “non-profits,” it does not expressly state that churches are among the non-profits that are included. There is evidence, however, that Congress intended for religious organizations to be included. Attached to this email is a letter, dated yesterday, from four congressmen to Treasury, the SBA, and the Department of Labor making clear their understanding that the PPP was intended to be extended to religious organizations. That is indeed helpful, and I am optimistic that Treasury and the SBA will not exclude churches from the PPP. But ultimately we must await their guidance on that issue.

Second: “The Episcopal Church has a group tax exemption, and my church/diocese participates in that group exemption along with many others. If one of the other participating churches fails to satisfy the terms for loan forgiveness (by laying off an employee, for example), will all of the entities participating in the group exemption lose the benefit of loan forgiveness?” My answer: Probably no. Churches are automatically tax exempt under federal law – they need not apply for tax-exempt status in order to receive it. There are numerous situations, however, in which having evidence of one’s tax-exempt status is important, and therefore many churches seek written recognition from the IRS of their tax-exempt status. The Episcopal Church has received such written recognition – it obtained a “Group Exemption” from the IRS which allows participating dioceses and parishes of the Church to use the Church’s Group Exemption as evidence of their own tax-exempt status. Participation in the Group Exemption, however, does not take away the plain fact that each diocese and parish is a separate entity – each with its own Tax Identification Number, payroll, bank accounts, etc. More to the point, any of these entities seeking a loan in ordinary circumstances would not be bound to the other entities participating in the Group Exemption. It is my expectation, therefore, that the same will be true with PPP loans. But, again, until we have solid guidance, we cannot be certain.

Additional note: We are hearing anecdotal evidence from other denominations that in these very early days after the Act’s passage, some lenders are denying PPP loans to churches that do not have their own individual letter of recognition from the IRS, even those participating in a Group Exemption. We are hopeful that Congress’ apparent intention – as expressed in the attached letter – that the PPP provide loans to churches regardless of what paperwork they may or may not have to prove their tax-exempt status will ultimately be made clear in Treasury and SBA guidance.

We will continue to keep you informed as we receive further guidance.