



CARES ACT INFORMATION FOR ALLIANCE CHURCHES

Important information for churches regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

On March 27, 2020, our federal government passed into law the **Coronavirus Aid, Relief, and Economic Security (CARES) Act**, a highly fought over and anticipated Bill that provides unprecedented levels of assistance to just about any employer, including large and small businesses, schools, secular and religious nonprofits, and churches.

Among other provisions in the massive Bill, a \$349 billion **Paycheck Protection Program (PPP)** was created that allows businesses with under 500 employees to request a loan that, under certain conditions, will convert to a grant. The essential purpose of the PPP is to keep people employed through this period when employment is largely curtailed.

These funds are available to Alliance Churches. Access to this form of government funding for churches is largely unprecedented. For many reasons familiar to church leaders, the United States has a long history of church autonomy and the avoidance of any government financial entanglement with the church.

The following will give our church leaders answers to questions related to PPP.

A. Why did the government make these funds available to the local church?

The government sought to create a program that will keep workers paid regardless of their employment status. Accordingly, those who are eligible to take the loan can be any small business or nonprofit, including a local church. The focus is not so much on the employer but on keeping workers employed—at least 75 percent of the funds must be used for payroll.

It is so unusual for the government to provide funding to religious nonprofits and churches that the infrastructure, processes, and even the language must be created. This has caused some confusion and that confusion will continue, but hopefully diminish, as the PPP is fleshed out.

B. Does The Alliance have a position on whether it is appropriate to access these funds?

The Alliance does not take a position on whether church leaders should or should not access PPP funds. Each local church is encouraged to prayerfully make their own decisions. Every church financial setting, culture, and leadership is different, and that difference will be expressed through different choices.

John Stumbo has [communicated his thoughts for consideration](#) by the local church. He also added, *The Alliance is structured in such a way that it is a unique blend of national uniformity and local church autonomy. This is not a moment or a topic on which to call for a uniformity of responses.*

C. Would a church lose any rights if it receives these funds?

The short answer appears to be no; acceptance of PPP funds will not require a church to change anything about what it believes and how it carries out those beliefs.

Initially, there was no clarity on this topic because the Small Business Association (SBA) had specific limitations on loans to religious entities and has required fund recipients to abide by federal civil rights limitations (13 C.F.R. 112, 113, 117). However, on April 3, 2020, the SBA issued [FAQs](#) which stated the following:

Simply put, a faith-based organization that receives a loan will retain its independence, autonomy, right of expression, religious character, and authority over its governance, and no faith-based organization will be excluded from receiving funding because leadership with, membership in, or employment by that organization is limited to persons who share its religious faith and practice.

Christian legal experts are guardedly hopeful that the federal government will hold firm on this position, while retaining some skepticism because the government does not typically distribute funds with no strings attached. On the positive side, we can look back at the very rare historical instances where the government issued funds to churches for disaster relief (e.g. post-Katrina), at which times there was no attempt to influence church belief or behavior. However, acceptance of PPP funds is not without risk. Part of a church's deliberation will be to determine its risk tolerance given the potential that acceptance of this loan could have foreseeable or unforeseeable negative consequences.

Therefore, as a wise precaution, we recommend that a church applying for a PPP loan should take the following steps:

- Include the following addendum to its PPP application:
Applicant complies with civil rights laws that lawfully apply to applicant as a religious organization or employer. With respect to loans authorized by the CARES Act, applicant interprets the SBA civil rights regulations, including without limitation 13 CFR 112 and 113, as not imposing any requirements upon religious organizations other than the applicable

requirements in such civil rights laws. Applicant's certification with respect to the SBA civil rights regulations is based upon this interpretation.

- Verify that the church has adopted the **Alliance Christian Community Policy** which will reinforce and emphasize the pervasive nature of the church's sincerely held religious beliefs.

D. How does the loan work?

The PPP is intended to provide cash-flow assistance through federally guaranteed loans to nonprofits (in this case churches) that maintain their payroll during a prescribed period. The loan will be forgiven if:

- the funds are used for at least 75 percent for payroll, with any remainder limited to rent, mortgage interest, or utilities
- the church retains its pre-crisis employee levels, based on a comparison between the eight-week period after the loan's origination and the same period in 2019
- the loan is used within 8 weeks of loan origination, and no later than June 30, 2020

A church must certify that the loan is necessary because of economic uncertainty caused by COVID-19 and will be applied to maintain payroll and other required payments.

The initial fund amount of \$349 Billion is expected to go quickly, but it is anticipated that additional funds will be added.

An overview of PPP terms can be found [here](#).

E. How does a church apply?

A church can apply at any local bank that accepts SBA loan applications. Here is a simple step-by-step to the process:

1. Call your local bank and find out if they participate in SBA administration loans. If not, call another bank that does.
2. Build a church payroll spreadsheet from March 2019 to February 2020. Include the salary of every worker plus benefits, phone allowance, etc., 403b match, and employee share of payroll taxes. Exclude any single employee compensation greater than \$100,000 and the employer share of payroll taxes.
3. Multiply the church's total payroll costs for that period by 2.5. That is the loan amount for which you are eligible.
4. The loan will be forgiven at the percentage of Full-Time Equivalent employees (FTE) you have on that spreadsheet compared with the FTE you have from February 15–June 30, 2020. If you're at 90 percent, 90 percent will be forgiven. You don't need to have 100 percent FTE to get forgiveness. The other 10 percent (or so) will be paid back with 4 percent interest over 10 years.
5. If the bank requires a copy of the church's group exemption letter (a/k/a 501c3), contact Sue Close at closes@cmalliance.org.

Although there is an official SBA Borrower [Application Form](#), banks may use their own forms or systems to gather the information.

F. Are there any other considerations for a church applicant?

- A local Alliance church is separately eligible even though it is part of the C&MA denomination. For PPP purposes, it is considered a single entity.
- A church does not have to be incorporated as a 501c3 under state nonprofit laws to be eligible. The government considers all churches as 501c3 organizations.

Conclusion

Our hope is that these resources will give you the information to thoughtfully and prayerfully make a wise determination. If you have any additional questions about this articles, you may contact Gary Friesen, vice president/general counsel, at frieseng@cmalliance.org.

Recommended Resources:

- [Paycheck Protection Program Overview – Economic Innovation Group](#)
- [SBA Borrower Application Form](#)
- [SBA Faith-Based Organizations FAQ](#)
- [SBA Paycheck Protection Program – Interim Final Rule](#)
- [Church Alliance Treasury CARES Act PPP FAQs](#)
- [ECFA COVID-19 Resources \(contact your district office for login credentials\)](#)

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