



# PPP Round 2: Update for Churches

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# This Session

- Update & refresher on PPP option
- Round 2 details & eligibility
- Other issues & your questions

## Context: COVID Relief Options (SBA)

- Paycheck Protection Program (PPP)
  - First & Second Draw Loans
- Economic Injury Disaster Loans (EIDL)
- Express Bridge Loans
- SBA Debt Relief (existing borrowers)
- Non-SBA item: Employee Retention Credit

# Overview & Timeline of Process

- Loan application window (now until 3/31)
- Loan disbursement
- “Covered Period”
  - 8-24 weeks beginning on loan disbursement date or first day of next payroll period
- Application for forgiveness
- Lender: 60 days to send SBA decision on amount
- SBA: 90 days to approve & send funds to lender

# Key Documents & SBA Resource

- Application for 1st draw: SBA Form 2483
- Application for 2<sup>nd</sup> draw: SBA Form 2483 SD
  - Both include detailed instructions
- SBA website & FAQs
  - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>
  - Special FAQ for faith-based organizations – PPP & EIDL

# Round 2 Eligibility

- Most loan details same as Round 1
- Eligibility for Round 2 not impacted by participation or non-participation in Round 1
  - Minor differences
  - Program funding considerations
- Key change: 25% rule
  - Church (specific EIN) must have a 25% or more decrease in gross revenue (total receipts) for at least one quarter of 2020 compared to same quarter in 2019

## Loan Amount

- Churches may apply for a 1<sup>st</sup> or 2<sup>nd</sup> draw loan for any amount up to 2.5x of average monthly payroll costs during 2019 or 2020
- Not required to apply for full amount
- Loans under \$150,000: Simple certification on application – no #s or documentation required for application process

# Payroll Costs

- Cash compensation
  - Salary, wage, tips, commissions, paid leave, allowances for separation or dismissal, certain bonuses
  - Limit = \$20,833 per individual (\$100k prorated)
- Other payroll costs
  - Employer contribution to group-sponsored health, dental, vision, or disability insurance plan
  - Employer contribution to retirement plan
  - Employer state or local taxes on EE compensation



# Payroll Costs

- Only amounts of common-law employees may be included (not 1099 contractors)
- Ownership rules not applicable to churches

# Looking Ahead: Forgiveness Stage

- Distinction: Maximum loan amount based on payroll costs only; forgiveness amount will include certain non-payroll costs as long as non-payroll sum not more than 40% of total
  - Non-payroll costs: Mortgage interest, rent, covered utilities, worker protection costs due to COVID, uninsured loss due to vandalism or looting during 2020, certain supplier or operational expenses

# Forgiveness Calculation

- At least 60% of loan must be used on payroll costs to avoid reduction in forgiveness amount
- Amount reduced if payroll costs less than 60% or if these criteria not met:
  - Maintain FT + FTE employee count
  - Maintain compensation levels (decrease up to 25% allowed)
  - All forgiveness expenses must qualify as payroll costs or eligible non-payroll costs

# Recordkeeping for Forgiveness

- Covered Period will begin on the date of disbursement & last up to 24 weeks
- As in Rd 1, requirements for full forgiveness include:
  - 100% use of funds on eligible payroll or non-payroll costs
  - At least 60% of payroll costs incurred during Covered Period
  - Maintaining employee headcount
  - Maintaining salary/wage levels

# Forgiveness Options

- Loan fully forgiven = no further steps
- Loan partially forgiven
  - Default: Balance converts to 2-year loan at 1% interest with no prepayment penalty
  - Option: Repay deficit amount at anytime

# Q&A

You may submit Qs or comments via Chat function now, or you may submit via email after the session

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