

# What the second round of PPP loans means for churches — and how to secure funding



Joe Park

After much political drama, the Consolidated Appropriations Act of 2021 (CAA) [ <https://bit.ly/3hIWqaR> ] has been approved by Congress and signed by the President.

It includes \$284 billion dollars for a second round of Paycheck Protection Program (PPP) Loans for which churches and nonprofits are eligible to apply through participating banks.

## Your banker might be slow to begin taking applications. Here's why.

The Small Business Administration (SBA) is charged with developing regulations related to the new application process. This sounds like a simple and straightforward process; but as we learned with the first round of PPP loans, the reality is neither simple nor straightforward.

Upon issuance of these regulations, the SBA gets flooded with questions from banks, attorneys and accounting firms and with political pressure from the Congress and the Administration. They then begin publishing a series of clarifications and new guidance that in the first round resulted in bankers repeatedly going back to their customers with new applications and/or asking for additional documentation. The same is true with the PPP forgiveness applications. Seven months have elapsed since the first PPP loan forgiveness applications were submitted, and the vast majority of these applications have yet to be processed by banks, primarily because **the SBA is still actively sharing new guidance on the first round of loans with banks. In fact, the new Consolidated Appropriations Act significantly changes the loan forgiveness process for the first round of PPP Loans approved in the CARES ACT, which will further**

**delay the forgiveness previously approved loans.** Thus, I want to caution you that the devil is in the details — and those details are subject to change.

### Limited eligibility for qualifying for a new PPP loan

Eligibility is limited to organizations, including churches, that meet the following criteria:

#### 1) Less than 300 employees

**2) Gross receipts were at least 25% less** in one or more quarters of 2020, as compared to the same quarter in 2019. This can get complicated for churches with complex streams of income. For the purposes of calculating gross receipts, churches are referred to the meaning of section 6033 of the IRS code of 1986. [ [www.law.cornell.edu/uscode/text/26/6033](http://www.law.cornell.edu/uscode/text/26/6033) ] I recommend asking your external accountant to calculate this for you.

**3) Necessity requirement:** All borrowers must be able to certify that the **“current economic uncertainty makes this loan request necessary to support the ongoing operations,”** as of the date on which the PPP loan application is submitted. This is where it gets sticky for many churches. I believe Congress left this language “current economic uncertainty” intentionally vague to allow as many organizations as possible to apply. Most churches would agree that “can” is not synonymous with “should,” given the many biblical admonitions to rise above the ways of the world to what is honoring and pleasing to God. As churches wrestle with whether or not they should apply, I would encourage them to remember that they may return the funds at any point if they determine the loan was not necessary.

### Other key provisions

Based on the current common understanding, the following are other key provisions to consider when determining if a new loan is right for your church.

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**Maximum loan amount:** Borrowers have an option to calculate the maximum loan amount by multiplying the borrower's average total monthly payroll in (a) the one-year period prior to the date on which the loan is made, or (b) calendar year 2019, by 2.5x. **The maximum loan amount is \$2 million.** Similar to the first round, payroll numbers for seasonal employers are calculated differently.

**Choose your own covered period:** Borrowers are able to choose the length of their covered period so long as it is at least eight weeks and is not longer than 24 weeks.

**Use of PPP funds:** Congress expanded the types of expenses — in addition to payroll, rent, covered mortgage interest, and utilities — for which these new PPP loans can be used and included in forgiveness calculations:

- **Covered operations expenditures:** payments for business software or cloud computing service that facilitates business operations; product or service delivery, the processing, payment, or tracking of payroll expenses; HR and billing functions, or accounting or tracking of supplies, inventory, records, and expenses

- **Covered property damage costs:** costs related to property damaged due to public disturbances that occurred during 2020 that were not covered by insurance or other compensation

- **Covered supplier costs:** expenditures to a supplier of goods that are essential to the operations of the entity at the time at which the expenditure was made and is made pursuant to a contract or order in effect at any time before the covered period or, with respect to perishable goods, in effect at any time during the covered period

- **Covered worker protection expenditures:** operating or capital expenditures that allow borrowers to comply with requirements or guidance issued by the CDC, HHS, OSHA, or any state or local

government during the period beginning March 1, 2020 and ending on the date which the national emergency declared by the President expires related to the maintenance of standards for sanitation, social distancing or any other worker or customer safety requirement related to COVID-19. These expenses appear to include PPE, physical barriers that were put in place, expansion of indoor/outdoor space, ventilation or filtration systems, and drive-thru windows.

**Forgiveness for loans under \$150,000:** Forgiveness application for loans under \$150,000 will be simplified to a one-page certification that includes a description of the number of employees the eligible recipient was able to retain because of the loan; the estimated total amount of the loan spent on payroll costs; the total loan amount and a certification the church complied with the PPP loan statute; and regulations issued by the SBA. Borrowers should be aware that while the forgiveness application is simplified, all the rules still apply. All borrowers must retain all employment records relevant to the forgiveness application for a period of four years and all other records relating to PPP and the forgiveness application for a period of three years.

**PPP loan forgiveness and Economic Injury Disaster Loans (EIDL):** The new law repeals the CARES Act provision that required that the amount of the PPP loan forgiveness be reduced by the amount of its EIDL proceeds. This change might increase the PPP forgiveness amount for thousands of churches. [CE](#)

This article is for informational purposes only and is not intended to provide tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before applying for a PPP Loan. For more on the Consolidated Appropriations Act of 2021, I suggest reading [Summary of Selected Coronavirus Provisions Important to Nonprofits](#), by Ted Batson, at [CapinCrouse.com](http://CapinCrouse.com).

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