**The CARES Act & Your Church Staff: What You Need to Know & 4 Steps to Take Now**

The new stimulus bill includes churches and has implication for church staff. Please learn more before making any staff decisions.

There are roughly 350,000 churches in the United States. Most are small and have a single (often part-time) staff member. Some employ hundreds. However, Warren Bird of the Evangelical Council of Financial Accountability estimates that there are 1 million people on the payroll of US churches, the majority of whom are part-time, often working other jobs.

Thus, the Congress and the President included them in the most recent stimulus bill, The CARES Act (and the Paycheck Protection Program, which is part of that act), as part of a plan to avoid sudden and vast amounts of unemployment. While this is a fluid situation, we are committed to learning more about the CARES Act in the hours and days to come.

**An Overview You Need to Know**

We turned to trusted voices to get the best information we would. One particular trusted resource that we want to note is [Richard Hammar’s](https://www.churchlawandtax.com/who-we-are/advisors/richard-r-hammar.html) overview posted at [Church Law and Tax](https://www.churchlawandtax.com/web/2020/march/overview-of-cares-act-for-churches.html) (also a part of [Christianity Today](https://www.churchlawandtax.com/)).

Hammar notes the following about the PPP (Paycheck Protection Program):

* The Act establishes a new US Small Business Administration loan program called the Paycheck Protection Program for small employers (including nonprofits and churches) with 500 or fewer employees to help prevent workers from losing their jobs and small businesses from failing due to economic losses caused by the COVID-19 pandemic.
* The program provides federally guaranteed loans to cover payroll and other operating expenses.
* To be eligible, the small employer must have been harmed by the pandemic between February 15, 2020, and June 30, 2020. The Act requires eligible borrowers to make a good-faith certification that (1) the loan is necessary due to the current economic conditions caused by COVID-19; (2) the funds will be used to retain workers and maintain payroll, lease, and utility payments; and (3) they are not receiving duplicative funds for the same uses from another SBA program.
* Principal amounts on the loan for the first eight-week period from the time the loan was made may be forgiven if used to pay:
	+ compensation under $100,000 (per employee)
	+ payment of interest on any obligation
	+ rent
	+ utilities
* The amount of loan forgiveness is reduced based on an employer’s decline in workers or wages (declines between February 15, 2020, and April 26, 2020, do not reduce the amount of loan forgiveness but only if the employer returns to pre-decline levels by June 30, 2020).
* Any portion of a loan not forgiven is carried forward as an ongoing loan with a term of ten years at four percent interest.
* The program is retroactive to February 15, 2020, to help bring workers who may have already been laid off back onto payrolls. The loan period ends on June 30, 2020.

**What is Covered?**

In addition, our friends at [Vanderbloemen](https://cdn2.hubspot.net/hubfs/191357/CARES%20Act%20-%20Vanderbloemen%20Slides.pdf) have provided some helpful resources about how the loan funds can be used to cover payroll costs, group health insurance benefits, paid sick leave, medical and insurance premiums, mortgage or rent payments, and utilities.

Furthermore, payroll costs can include:

* Salary or wages, payments of a cash tip
* Vacation, parental, family, medical and sick leave
* Health benefits
* Retirement benefits
* State and local taxes
* Limited up to $100k annual Salary/wage for each employee

**What You Need to Do Now**

Therefore, in light of what we do know, here are four things you need to be doing now with regard to thinking and praying through your church’s finances in this crisis.

**#1 Decide if this provision is right for your church**

Yes, there are many factors for pastors and church leaders to consider in applying for this loan. For some, there may be an overall principle that your church doesn’t believe in acquiring debt. For others, there may be hesitation taking any money from the local government.

Maybe, there are others, you are wondering about specific details.

Here’s what we know regarding the details. Again, a big thanks to our friends at [Vanderbloemen](https://cdn2.hubspot.net/hubfs/191357/CARES%20Act%20-%20Vanderbloemen%20Slides.pdf) in laying this out:

* Lenders will most likely be your current banker
* No loan payments under this program will be due for a year
* No fees are included in the loan
* Interest rate will be less than 4%
* You will need to certify the loan will be used for supporting ongoing operations, retaining workers, maintaining payroll, or making mortgage, lease, and utility payments
* No collateral or personal guarantees will be required

If you sense your church might not make it out of this crisis, or if you expect to be laying off staff or taking significant pay cuts during this crisis, you might want to consider this option. You should contact your bank and your accountant, as both will be needed in this process.

Some experts are saying you should do this quickly, though others are reassuring that additional funds will be made available as needed, so there is some uncertainty about the timing.

**#2 Contact your local bank and let them know you want to participate in the Paycheck Protection Program from the CARES Act**

This action is pretty straightforward. However, there is a possibility that your bank isn’t a participant of the CARES Act. In that case you will want to contact a larger regional bank in your area to start that conversation and process.

**#3 Begin working on your spreadsheet to calculate your average payroll cost**

The way this program works takes your average payroll cost for the last 12 months (March 2019–March 2020)—and multiplies it by 2.5.

Keep in mind, this not only includes full-time and part-time staff, it can also include 1099 employees such as off-duty police officers, interns, and other monthly costs related to outsourcing to run the church.

After you’ve tallied up your average payroll for the year, and multiply it by 2.5, you will have the loan amount for which you will apply.

You should contact your accountant who is also receiving guidance about this act.

But you need to be working on that now as the bank will want to see how you’ve arrived at that number.

**#4 Tell your staff that you are working on a plan**

We know these are uncertain times that bring upon a heightened sense of panic and anxiety. While we know that Jesus is our ultimate hope, it still brings your staff a practical level of comfort knowing that you are working on a plan to help sustain your church (and staff) financially during this crisis.

Let me encourage you to listen to the podcast with [Slingshot Group (about staff issues)](https://pod.co/stetzer-leadership-podcast/slingshot-group-helping-your-staff-in-times-of-crisis-and-having-hard-conversations-about-the-future) and with [William Vanderbloemen about staff and stimulus bill issues](https://pod.co/stetzer-leadership-podcast/william-vanderbloemen).

Stay tuned, as we will continue to keep you updated on this stimulus package and how it relates to church finances.