As of May 12, 2020

CARES Act: Paycheck Protection Program Best Practices for Accountability and Maximizing Your Loan Forgiveness

Key Provisions

- A minimum of 75% must be spent on payroll and benefits as defined by the program.
- You can only use up to 25% of the SBA/PPP loan on occupancy/utilities expenses.
- You have 8 weeks from the time you receive funding to use towards allowable costs to stay within the forgiveness period.

Best Practices for Accountability and Maximizing Your Loan Forgiveness

- Set up a separate bank account for the funds to be deposited into so that you keep the SBA/PPP funding segregated (not required, but a best practice).
- Work with your payroll provider to ensure that they are properly coding payroll to match the CARES Act provisions that include expansion of the Family Medical Leave Act and Emergency Paid Sick Leave. They should calculate your payroll and segregate with new CARES Act coding that you can use for reconciling the allowable payable accounting for the various payroll tax credits, etc.
- After you process payroll, complete a reconciliation schedule that outlines the allowable/approved payroll/benefits, etc.
- Do a funds transfer for the amount that equals the allowable payroll/benefits per reconciliation schedule from the SBA/PPP funds account to your general operating account.
- Create a monthly schedule of allowable rent/lease/mortgage and related utilities.
- Once a month or as appropriate, transfer funds from SBA/PPP account to ministry operating bank account.

- Keep a copy of the interbank funds transfer with the supporting documentation.
- Create and maintain these packets of information for each transfer.

5 Factors That Could Cause You to Have Less Than 100% of Your Loan Forgiven

1. If you also obtained an Economic Injury Disaster Loan (EIDL) advance, then that amount must be subtracted from the loan forgiveness amount.
2. The SBA interim rule requires 75% of loan proceeds to be used on payroll costs.
3. Wages paid to an employee for Expanded Family Medical Leave Act paid leave or Emergency Paid Sick Leave for which you received the allowable credit under the FFCFA are not includible in your payroll costs.
4. The headcount reduction factor.
5. The salary and wage reduction amount.
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- Clergy compensation and housing allowances are allowable and potentially forgivable, even if they were not included in the loan application calculation.

- Payroll forgiveness does not include employer portion of taxes nor do we believe workers’ compensation insurance is included. Paycheck Protection Program Loans, Frequently Asked Questions.

- The SBA plans to audit businesses that received over $2M in funds prior to the loan being forgiven to ensure compliance. SBA has now announced that loans for amounts less than $2 million will be deemed to meet the necessity requirement.

- Occupancy allowable and potentially forgivable expenses include: rent, mortgages, utilities, Internet, phones, copier leases; does not include insurance (unless embedded in lease payments), major repairs, capital improvements, inspections, etc.

- Good Faith Certification and extension of time to May 18th, FAQ 47.

- Uniform Guidance compliance audit not required for SBA/PPP loans, but EIDL loans may be subject to UG audits if total amount of federal financial assistance loans exceed $750K.

- SBA response to laid off/furloughed employee declining offer to return to work, SBA FAQ 40.

COVID-19 Church Survey

- Our 2020 Impact of COVID-19 on Church Giving Report provides information that will help your church better navigate this rapidly evolving environment.

- We will continue to closely monitor the impact of COVID-19 on churches and provide resources to help you during these challenging times.

SBA Guidance Forthcoming

We are all still waiting for SBA guidance on the following issues:

- Payroll – incurred and paid within 56 days...

- SBA guidance on calculating FTE – they may choose between two or more possible methods.

- When will we get the final ruling on forgiveness rules?

- When will the loan forgiveness application be available?

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