



IMPORTANT: FOR IMMEDIATE ATTENTION

UPDATE REGARDING HOUSING ALLOWANCE

Date: April 24 revision of April 22, 2020 memo
To: Congregational/UUA-Related Leaders
Fr: Rev. Richard Nugent, Director, UUA Church Staff Finances
Re: Additional PPP Funding, Housing Allowance Clarification, and other Federal COVID-19 programs

CLERGY HOUSING ALLOWANCE CLARIFICATION: The US Treasury Department issued new guidance regarding the Paycheck Protection Program on April 24. The new guidance clarifies that Housing Allowances may be included in the Payroll Expense. Question 32 asks: “Does the cost of a housing stipend or allowance provided to an employee as part of compensation count toward payroll costs?” The answer is: “Yes. Payroll costs includes all cash compensation paid to employees, subject to the \$100,000 annual compensation per employee limitation.” (See <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>). If your lender rejected housing expenses, contact them immediately and call their attention to this SBA guidance.

Overview: Congress appropriated an additional \$321.3 billion for the Paycheck Protection Program (PPP) on Thursday, April 23, and it was signed into law on Friday, April 24. Already, this program has provided millions of dollars to UU Congregations and UUA-Related Organizations. These funds will provide a lifeline to UU congregations to help weather the COVID-19-Related Economic emergency. **Congregations who have yet to apply for this loan/grant program should prepare to do so immediately. New PPP loans will be funded beginning Monday, April 27, and will likely be exhausted by early next week.**

This communication urges congregations, who have yet to apply for this loan/grant program to prepare to do so immediately this week. You will find additional information about several other new federal programs mitigating the affects of COVID-19 including the **paid sick leave and family leave act provisions** which must be provided by all employers with less than 500 employees.

The UUA Office of Church Staff Finances wishes to track the experiences of UU congregations under the Paycheck Protection Program (PPP). Did you apply, get approved, funded, or placed in a queue awaiting approval? Was your financial institution helpful, or frustrating? Perhaps you chose not to apply, and if so, why? This short survey can be found at: <https://www.surveymonkey.com/r/UUexperiencesPPP>.

Paycheck Protection Program (PPP) Additional Funding:

- After \$349 billion was allocated in less than two weeks, the Paycheck Protection Program ran out of funds. Eligible organizations include small businesses and all 501(c)(3) nonprofits and faith groups (congregations, mosques, synagogues, and similar organizations). Many UU congregations successfully submitted loan/grant applications for the PPP. These loans will be forgiven if used to retain staff during May and June.
- Unfortunately, many congregations were unsuccessful in getting PPP funds. Some were approved, but not before the Small Business Administration (SBA) ran out of funds. Others failed to get approval – the reasons are varied, but include dysfunctional banks, banks prioritizing larger “for-profit” customers, and banks simply getting swamped by applications and unable to process loans in a timely fashion.
- On April 21, the Senate passed the “Paycheck Protection Program and Health Care Enhancement Act” providing \$484 billion including \$321.3 billion in additional PPP funding, \$10 billion in additional Economic Injury Disaster Grants (EIDL), and up to \$50 billion in EIDL loans. This legislation also provides funding for hospitals and health care providers. The House of Representatives passed this legislation on Thursday, April 23. It was signed into law on Friday, April 24.

Paycheck Protection Program (PPP) Details:

- The UUA website provides basic information on the PPP program. (See the slide deck at <https://www.uua.org/leadership/library/federal-policies-pandemic>)
- Essentially, all 501c3 nonprofits, including ALL CONGREGATIONS are eligible for this loan/grant program (See the SBA Guidance on the Eligibility of Religious Organizations for the PPP and EIDL Programs at: <https://www.sba.gov/sites/default/files/2020-04/SBA%20Faith-Based%20FAQ%20Final.pdf>.)
- Organizations/Congregations can borrow 2.5 times their average monthly payroll (including employee benefit payments). On April 24, the SBA clarified that clergy housing expenses are to be included in payroll costs. In addition, payment-in-lieu of FICA can also be included in gross compensation. If up to 75% of this loan is used to retain staff and used for payroll, including employee benefits, during the 8 weeks following receipt of the funds, then the loan will be forgiven by the Small Business Administration. Again, the rules can be found in the slide deck on the UUA website.

Application Strategies: Note: You can apply to more than one lender. You can only receive one loan. Several congregations, who have found their experiences with major banks unacceptable, report the non-bank lenders quite eager to accept their application.

- **If Your Congregation already applied:** Reach out to your bank/lender immediately to ensure that your application has either been approved, awaiting funding, or ready to be submitted to the SBA when the program resumes funding loans again.

- **If Your Congregation has not already applied:** It is critical that your application be submitted as soon as possible. Contact your bank to see if they are accepting new applications for Phase Two of the Paycheck Protection Program. Obtain their application form and assemble backup documentation (your 2019 payroll, benefit costs, form 941s, etc.) Since Phase Two funds (\$321.1 Billion) will likely be depleted quickly, you need to get your application completed by Friday, or Monday, at the latest. It is probably wise to apply to a non-bank lender as well (see below).
- **If Your Lender is not accepting new applications:** Most banks/credit unions are not accepting applications from non-customers. So, if your bank won't accept your application, you might check with area credit unions (which are receiving targeted funds under the new appropriation) and/or consider applying to an online lender as follows:
 - **Intuit/QuickBooks Capital:** The maker of accounting, tax and budgeting software has received SBA approval to serve as a lender for PPP loans. See <https://quickbooks.intuit.com/small-business/coronavirus/paycheck-protection-program/>.
 - **PayPal Holdings:** PayPal is now accepting applications for Paycheck Protection Program loans. PayPal is working with WebBank as its partner lender. See <https://www.loanbuilder.com/ppp-loan-support>.
 - **Square Capital:** Although Square is best known for its point-of-sale software, the company received SBA approval to accept applications for Paycheck Protection Program loans. Info can be found at: <https://squareup.com/us/en/1/sba-ppp-loans>. If you are not yet a customer, you can sign up for a Square account to receive updates on the program.
 - **The Loan Source:** The Loan Source is a SBA approved non-bank lender. It's website says it is accepting PPP applications. See <https://covidreserve.com>.
 - **Kabbage, Inc:** Kabbage, an Atlanta-based data and technology company, is partnered with an SBA approved lender to provide PPP loans. Applying through Kabbage does not preclude applying with other lenders. The website is <https://www.kabbage.com/paycheck-protection-program-loans/>.
 - **Biz2Credit:** Biz2Credit is a financial technology firm that connects small businesses with lending institutions. It is accepting applications for PPP loans, although it is unclear whether there is an additional fee for this service. Their website is: <https://www.biz2credit.com/disaster-support/cares-act-loans-coronavirus>.
 - **On Deck:** On-Deck has been lending to small businesses since 2007. It is accepting PPP loan applications at: <https://www.ondeck.com/covid19>
 - **Funding Circle:** Funding Circle is an international lender of small businesses. It is accepting PPP loans. More information at: <https://www.fundingcircle.com/us/>
 - **Blue Vine:** Blue Vine, founded in 2013, is accepting PPP applications at:

<https://www.bluevine.com/paycheck-protection-program/>

- **Ready Capital:** This commercial lender has suspended taking new applications, but its website says to check back later. See <https://ppp.readycapital.com/>.
- **Fountainhead:** As a nonbank lender licensed to make SBA 7(a) loans, Fountainhead will take applications from any small business, not just existing customers. See <https://www.fountainheadcc.com/ppp/>.

After Your Congregation has applied: It's important to assemble all your PPP-related documents into a folder. This folder should include:

- A copy of your PPP application;
- Copies of all supporting documentation you provided your bank or lending institution;
- Copies of your PPP borrowing amount calculation (including all payroll related documents/reports);
- A copy of any correspondence, including emails, with your lender regarding your submission and approval;
- A timestamped print out of all official relevant laws/guidelines in effect on the date you submitted your application (since guidance is changing almost daily);
- A memo explaining why your congregation applied for a PPP Loan. If your congregation has experienced a drop-off in income (rentals, auctions, concerts, unrelated-business income, other events, or unfulfilled pledges), you should document it;
- Outline how your congregation plans to spend the money over the 8 weeks after receiving the loan. Keep in mind that 75%, at least, of the loan must be spent on payroll (including employee benefits) and non-payroll costs cannot exceed 25% of the total loan amount. This is important as you apply for loan forgiveness.

Should UU Congregations Apply for a PPP Loan/Grant:

- While your congregation may have enough finances available to retain ALL staff and continue paying benefits for the remainder of this congregational year, what about July and August when cash flow is particularly challenging for some congregations? The PPP program provides enough funds to pay staff during May and June while you can conserve available cash for post-July expenses.
- Some congregational leaders have voiced first amendment or "establishment clause" concerns. They question whether it is appropriate to accept government money as a religious organization. If they mean government should not favor one faith tradition over another, Unitarians, Universalists, and Unitarian Universalists have historically been strong advocates of this principle. The Paycheck Protection Program does not favor one faith over another. All faiths are treated equally. This program makes all 501(c)(3) nonprofits eligible for loans. Not to allow funding to religious organizations, who are valid 501(c)(3) organizations, might be construed as a violation of the Establishment Clause since it would be discriminating against faith-based organizations. Besides, UU congregations accept exemption from property taxes, sales

taxes, and the tax deductibility of donations. Given the serious economic consequences of this time, congregations should avail themselves of this loan/grant program. It is critically important that our congregations retain their staffing infrastructure to carry on during this difficult period and to be ready to relaunch programs when "stay-at-home" orders are eventually lifted. Without help, some congregations will have no choice but to lay off/terminate staff. When in-person programming resumes, it will take months to replace some of these staff members and a year or more to recover the institutional memory and personal relationships that are so important to effective congregations.

Employee Retention Tax Credit (Employers obtaining a PPP Loan are not eligible):

- The CARES Act provides a **refundable payroll tax credit** for 50% of wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50% when compared to the same quarter in the prior year.
- For employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee and is provided for wages paid or incurred from March 13, 2020 through December 31, 2020. Essentially the credit is \$5,000/employee.
- Credit is against an employer's employment taxes for each quarter, with any excess refunded to the employer.
- Wages paid to Ministers in the exercise of their ministry are excluded under IRS 3121 because their wages are not subject to FICA
- Employers cannot include payments under the Paid Sick Leave or Paid Family Medical Leave provisions of the CARES Act.

Economic Injury Disaster Grants/Loans (EIDL): Congregations and other UUA-related organizations can also apply directly to the Small Business Administration (www.sba.gov/disaster) for the Economic Injury Disaster Loan/Grant program. This program might be particularly helpful to organizations experiencing serious revenue shortfalls due to loss of Unrelated Business Income and/or program cessation including summer programming.

- Under Section 7(b)(2), loans of up to \$2 million can be made to organizations experiencing COVID-19 financial problems. Loans less than \$200,000 can be approved without a personal guarantee. The repayment term is 30 years with an interest rate of 2.75%.
- Eligible Expenses: Payroll costs, including benefits; fixed debts (mortgage, rent, leases), accounts payable, and other bills. This is designed to assist organizations experiencing revenue shortfalls.
- Covered period is January 31, 2020 through December 31, 2020 (11 months)

- In applying for the EIDL program, applicants are to receive a \$10,000 grant within 3 days. This grant does not need to be repaid although cannot be claimed as part of the PPP forgiveness program.

The Families First Coronavirus Response Act (FFCRA or Public Law 116-127) gives employers with less than 500 employees funds to provide all employees with paid sick and family and medical leave for reasons related to COVID-19 – either for the employee’s own health needs or to care for family members. The new law covers the costs of this paid leave by providing employers with refundable tax credits. More information, including a newly released (April 17) IRS “Frequently Asked Questions” can be found on the UUA Federal Policies and Actions webpage (<https://www.uua.org/leadership/library/federal-policies-pandemic>).

1. Emergency Paid Sick Leave (applies to all Employers with less than 500 employees including congregations):

- Effective April 1 through December 31, 2020: Employers are **required** to provide 80 hours of fully paid sick leave to full-time employees (pro-rata rules would apply to part-time employees) in addition to any other existing paid leave including sick leave.
- Covered employees eligible for paid sick leave include:
 - 1) Employee subject to a federal, state, or local quarantine or isolation order related to coronavirus.
 - 2) Employee has been advised by health care provider to self-quarantine due to coronavirus.
 - 3) Employee is experiencing symptoms of coronavirus.
 - 4) Employee is caring for an individual who is subject to an order described in (1) or has been advised as described in (2).
 - 5) Employee is caring for their child because the school is closed, or childcare provider is unavailable due to coronavirus; or
 - 6) Employee is experiencing a similar condition specified by Secretary of HHS.
- Employers are required to pay employees their full wages, not to exceed \$511 per day and \$5,110 in the aggregate, for a use described in (1), (2), or (3) above.
- Employers are required to pay employees two-thirds of their wages, not to exceed \$200 per day and \$2,000 in the aggregate, for a use described in (4), (5), or (6) above.

2. Emergency Family and Medical Leave (applies to all employers with less than 500 employees including congregations):

- Effective April 1 through December 31, 2020: Employers **must provide** paid Family and

Medical Leave to employees who are unable to work (or telework) due to the closure of a child's school or childcare provider because of the COVID-19 public health emergency.

- Employers are not required to pay initial ten days of leave; however, employees may substitute accrued vacation, personal, or sick leave to cover unpaid leave portion including the newly enacted paid sick leave provision (See Above).
- Employers must pay ten remaining weeks of leave at a rate not less than two-thirds of employee's regular rate, not to exceed \$200 per day and \$10,000 in the aggregate.

3. Tax Credits for Paid Sick and Paid Family and Medical Leave

- Employers with 500 or fewer employees required to provide COVID--19-related paid leave are eligible for a **100 percent refundable payroll tax credit** on the wages paid for both the paid sick leave and paid family medical leave as provided under Families First.
- The tax credits would be administered by the IRS and be creditable against employer-side payroll tax liability, with any excess refunded to the employer.
- Tax credits for COVID-19 related pay sunset on December 31, 2020.

Additional UUA COVID-19 Resources:

Congregations as Employers During the COVID-19 Pandemic:

<https://www.uua.org/leadership/library/employer-pandemic>

Federal Policies: <https://www.uua.org/leadership/library/federal-policies-pandemic>

COVID-19 and Your Congregation: <https://www.uua.org/safe/pandemics/covid-19>

Planning/Addressing the Pandemic: <https://www.uua.org/safe/pandemics>

Stewardship: <https://www.uua.org/leadership/library/stewardship-distance>

Talking to Children about COVID-19: <https://www.uua.org/leadership/library/talking-kids-covid>

UUA Common Endowment: <https://uucef.org/>

Donate to the UUA COVID-19 Response Fund:

<https://www.uua.org/giving/areassupport/funds/covid-19-response>

Our Congregations as Employers page for compensation, benefits, staff support, and more:

<https://www.uua.org/leadership/congregations-as-employers>

Compensation and Staffing News monthly newsletter signup:

<https://www.surveymonkey.com/r/compnewssignup>

For More Information

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