

Paycheck Protection Loan Best Practices for Loan Forgiveness

Summary of Paycheck Protection Loan Forgiveness Criteria

The CARES Act established the Paycheck Protection Program which allows small business to apply for a loan to keep their workers on the payroll during the coronavirus pandemic. These loans can be forgiven and essentially converted to a grant if certain criteria are met. **Although final guidance on loan forgiveness has yet to be issued, the following criteria has been communicated.**

1. Loan funds are used on eligible expenditures for the 8-week period beginning the date of funding. Eligible expenditures include payroll costs, interest on mortgage obligations, rent, and utilities.
2. More than 75% of the loan funds are used for payroll costs.
3. Average number of full time* employees during 8-week loan period has not decreased more than 25% from the average number of full time employees during 2/15/2019-6/30/2019 or 1/1/2020-2/29/2020.

Best Practices for Documentation for Loan Forgiveness

- Maintain a log of eligible expenses, such as payroll, and record as they are incurred during the 8-week period. Keep a running total of remaining funds. This should also calculate the percentage of funds used for payroll expenses, which should be greater than 75%. *See the attached "Use of Funds" example.*
- Maintain the payroll reports from each pay period and the calculation of adjustments, if any. If an employee has a gross annual salary greater than \$100,000, the pay period salary will need to be capped at \$4,166.67. Only gross salary (including housing payments) is included as an eligible expense.
- Maintain the monthly benefits invoice from the Arkansas Conference office. The church's payments to the CRSP-DB and CRSP-DC are eligible uses for the loan funds. (The loan does not cover death and disability insurance, therefore the CPP payment cannot be included.) Monthly benefits do not need to be adjusted if employee compensation is greater than \$100,000. Also keep a copy of the payment made (whether by check or electronically for these payments).
- Maintain monthly mortgage statements which show the portion of the payment for interest and principal. Only the interest payment is included as an eligible expense. Also, locate the signed mortgage agreement which documents monthly payments and terms. Keep a copy of the payments made.
- Maintain a copy of the rent payment made. Also locate the signed lease agreement which documents the monthly rental payment and terms.
- Maintain copies of the monthly utility statements for electricity, gas, water, telephone or internet. Also keep a copy of the payment made.
- Create a schedule which shows the average number of full time employees during 2/15/2019-6/30/2019 or 1/1/2020-2/29/2020 as compared to the average number of full time employees during the 8-week loan period. Loan forgiveness will be adjusted for a decrease in the number of full time employees greater than 25%. Loan forgiveness will also be adjusted for a decrease in wages greater than 25%. *See the attached "Summary of Payroll and Employees" example.*

*Full time employee has not yet been defined; however, we assume all employees working 30+ hours/week will be considered full time.