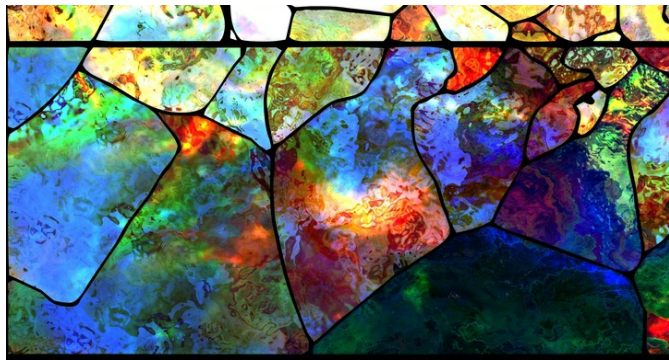


Faith-Based Organizations: Guidance for Eligible Paycheck Protection Program Loans

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Faith-based organizations, including houses of worship, and entities that provide services that are religious in nature, are eligible Paycheck Protection Program loan applicants as long as they meet all other requirements of eligibility.

Recently, the Small Business Administration ("SBA") has published further guidance on Paycheck Protection Program ("PPP") loans, including an FAQ for Faith-Based Organizations. You can find all of the SBA's PPP related online postings [here](#).

Churches (including temples, mosques, synagogues, and other houses of worship), integrated auxiliaries of churches, and conventions and associations of churches qualify for PPP loans as long as they meet the requirements of Section 501(c)(3) of the Internal Revenue Code, **and all other requirements that any other loan applicant must meet** (including having payroll costs, being in operation as of February 15, 2020, loan forgiveness standards, etc.). We have written about the general applicant requirements extensively, [here](#) and [here](#). So long as the faith-based organization meets the requirements of 501(c)(3), such organization is **not** required to apply to the IRS to receive tax-exempt status.

Faith-based organizations do not face any additional limitations on how they use their PPP loan funds. The same limitations apply to them as do apply to all other recipients of these loans, and the same requirements dictating loan forgiveness will apply. The SBA is emphasizing that there are no additional restrictions on how faith-based organizations apply for or utilize loan proceeds received through the PPP, as long as the applicant meets the application requirements imposed on any other loan applicant.

While receipt of a PPP loan will not limit the authority of a religious organization to define the standards, responsibilities, or duties of its membership, or limit the freedom of the organization to select and hire individuals to perform work connected to that organization's religious exercise, or constitute waiver of any rights under federal law, including but not limited to protecting religious autonomy, or the First Amendment of the U.S. Constitution, the loan recipient may **not** discriminate on the basis of race, color, religion, sex, handicap, age or national origin with regard to goods, services, or accommodations offered.

For example, the loan applicant will maintain full autonomy with respect to membership or employment

decisions connected to its religious exercise, and it can even continue to distribute food or clothing to its own members; however, if the faith-based organization operates a restaurant, retail, or thrift store that is open to the public, it must serve the general public without discrimination based upon the traits listed above.

The same SBA affiliation tests applicable to all other PPP loan applicants are applicable to faith-based organizations applying for a PPP loan. There is a religious exemption to the affiliation rules: the relationship of a faith-based organization to another organization is not considered an affiliation if the relationship is *solely based* on a religious teaching or belief or exercise of religion. If an applicant believes that such religious exemption applies, it should submit a separate sheet labeled "Addendum A" with its loan application, stating as much. No further listing of the other organizations with which the organization is affiliated, and no description of the relationship to those organizations or the applicant's religious beliefs, is required. A sample Addendum A is provided within the SBA's Faith-Based Organization FAQ.

The Sample Addendum reads:

ADDENDUM A

The Applicant claims an exemption from all SBA affiliation rules applicable to Paycheck Protection Program loan eligibility because the Applicant has made a reasonable, good faith determination that the Applicant qualifies for a religious exemption under 13 C.F.R. 121.103(b)(10), which says that “[t]he relationship of a faith-based organization to another organization is not considered an affiliation with the other organization . . . if the relationship is based on a religious teaching or belief or otherwise constitutes a part of the exercise of religion.”

We will continue to keep you updated on COVID-19 impacts and resources as we receive further information.

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