

The Church Network – North Central Chapter
Don't Go It Alone – We are all in this together!

5/7/2020 Chapter Meeting – Focus on PPP Implementation

Definition of Non-Payroll Expenses

Disclaimer – We are not experts and should not be considered an authoritative source.

The following is a summary of how the CARES Act defines what is included in the three primary areas on non-payroll expenses. This is what we know at this point. As new guidance is issued by the SBA we will update. We recommend clarifying with your PPP lender.

- 1. What is included in covered “utility” payments?** (service began before 2/15/2020)
 - a. Utilities defined in the Act as payment for a service for the distribution of electricity, gas, water, transportation, telephone or internet access. Further guidance apparently added gas used when driving a business vehicle
 - b. Other utilities – such as garbage collection or security monitoring - were not specifically defined in the Act and may not be eligible – track for now, but need to clarify with lender?
 - c. Open question - How does the period of service impact whether the expenses have been incurred/paid?
 - i. Quarterly billing – such as sewer/water – track/pay?

- 2. What is included in covered mortgage obligation “interest” payments?** (obligations before 2/15/2020)
 - a. The Act defines as interest payments on covered mortgage obligations (mortgage on real or personal property) – but not mortgage prepaids or principal payments;
 - i. Note - If mortgage payments have been deferred – consider paying the interest portion only, since this is an allowable use of PPP proceeds?
 - b. Note - PPP loan proceeds are separately listed as allowable to make interest payments on any other debt obligations that were incurred before February 15, 2020 (IFR 2.r.vi.) – but not listed under the definitions for loan forgiveness (only covered mortgage interest payments are listed as forgivable – clarify?)

- 3. What is included in covered “rent” obligation payments?** (rent obligated under lease agreements in force before 2/15/2020) – the term “covered rent obligations” may be subject to interpretation – clarify with lender
 - a. Real estate/facility rents – would appear to be eligible for forgiveness based on lease agreements
 - b. What about equipment rental agreements? Some writers suggesting may be included? Need further clarification with your lender?