

PPP for Self-Employed/Sole Proprietors

Eligibility

- Must have been in operation on Feb 15, 2020
- Principal place of residence is the United States
- You must have filed (or will file) a Form 1040 Schedule C for 2019
 - SBA will issue additional guidance for those not in operation in 2019 but were in operation on Feb 15, 2020 and who will file a Schedule C for 2020
- As a partner in a partnership you may not submit separate application as a self-employed individual
 - Self-employment income of general active partners may be reported as payroll costs filed on behalf of the partnership (additional rules apply)

Calculating the PPP Loan Amount if you take a draw

With no employees:

1. Take Line 31 (net profit amount) of 2019 Form 1040 Schedule C
 - a. If over \$100,000, reduce it to \$100,000
 - b. If zero or less, you are not eligible for PPP loan
2. Divide amount from #1 above by 12 to determine average monthly net profit amount
3. Multiply average monthly profit (#2 above) by 2.5
4. Add the outstanding amount of any Economic Injury Disaster Loan made between Jan 31, 2020 and April 3, 2020 that you wish to finance (less the amount of the EIDL Covid-19 loan advance)

With employees:

1. Take Line 31 (net profit amount) of 2019 Form 1040 Schedule C
 - a. If over \$100,000, reduce it to \$100,000
 - b. If zero or less, you are not eligible for PPP loan
2. Gross wages and tips from employees less the amount over \$100,000 of any wages or salary paid annually to an employee (s)
3. 2019 employer health care contributions, retirement contributions
4. Add 1, 2 & 3 and divide by 12 to calculate monthly amount
5. Multiply average (#4) amount by 2.5
6. Add the outstanding amount of any Economic Injury Disaster Loan made between Jan 31, 2020 and April 3, 2020 that you wish to finance (less the amount of the EIDL Covid-19 loan advance)

Documentation Required

The following items must be provided with the application to substantiate the applied for loan amount:

- 2019 Form 1040 Schedule C (whether or not you have already filed it with the IRS)
- 2019 IRS form 1099-MISC showing compensation received, **or** an invoice, bank statement or book of record that establishes that you were self-employed
- 2020 invoice, bank statement or book of record to establish you were in operation on or around Feb. 15, 2020

Uses of PPP for Self-employed businesses

- Owner compensation replacement, see section above for calculation process
- Employee payroll costs (not 1099 contractors)
- Mortgage interest payments (not principal or prepayment)
- Mortgage interest payments on any business mortgage obligation or real personal property (including auto loans for vehicles you use to perform business)
- Business rent payments
- Business utility payments
- You must have claimed or be entitled to claim a deduction for such expenses on 2019 form 1040 Schedule C for them to be permissible to be used during the eight-week period following the first disbursement of the loan (covered period)
- Refinancing an SBA EIDL loan made between Jan 31, 2020 and April 3, 202
- * If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan

Amount of Forgiveness

- Can be up to the full principal amount of the loan plus accrued interest.
- Actual amount of loan forgiveness will depend, in part on the total amount spend over the covered period spent on:
 - Payroll costs
 - Owner compensation replacement (limited to eight weeks' worth of 2019 net profit (8/52))
 - Payments of interest on mortgage obligations on real or personal property incurred prior to Feb 15, 2020 ***
 - Rent payments on lease agreements in force before Feb 15, 2020 ***
 - Utility payments under service agreements dated before Feb 15, 2020 ***

*** To the extent they are deductible on Form 1040 Schedule C

75% Rule

- For loan forgiveness, at least 75% of the PPP loan proceeds must be used for payroll costs.

Documentation Required for Forgiveness

- Borrower certification
- Evidence of business rent, business mortgage interest payments and business utility payments (if you used the loan for those purposes)
- 2019 Form 1040 Schedule C that was provided at the time of the PPP loan
- Application

With employees add

- Form 941 and state quarterly wage unemployment insurance tax reporting forms
- Or equivalent payroll processor records that best correspond to the covered period
- Evidence of any retirement and health insurance contributions if applicable