



PPP Loan Update – Loan Applications

Self-Employed Individuals (Independent Contractors or Sole Proprietors)

April 15, 2020

Good afternoon,

Please see below for much-awaited guidance released late yesterday regarding loan applications for Self-Employed Individuals:

- **Eligibility for PPP Loan**
 - You were in operation on February 15, 2020
 - Your principal place of business is the United States
 - You filed, or will file, a 2019 Form 1040 Schedule C
- **Self-Employed Partners in a Partnership or LLC**
 - Include as payroll cost (up to \$100,000 annualized) on an application filed by the partnership or LLC
 - Not permitted to submit a separate application as a self-employed individual
- **Maximum Loan Amount if No Employees**
 - Net profit from 2019 Form 1040 Schedule C Line 31 (limited to \$100,000) divided by 12 and then multiplied by 2.5
 - Add the outstanding amount of any EIDL loan made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any emergency advance under an EIDL loan (because it does not have to be repaid)
- **Maximum Loan Amount if you have Employees**
 - Sum of the Following
 - Net profit from 2019 Schedule C Line 31 (limited to \$100,000)
 - 2019 gross wages and tips for employees with principal place of residence in the United States
 - Sum of Quarterly 941 Forms Line 5c-column 1 (Taxable Medicare wages & tips) plus pre-tax employee contributions for health insurance or other fringe

benefits excluded from Taxable Medicare wages & tips (i.e., under cafeteria plan provisions)

- Subtract individual employee amounts above which exceed \$100,000 annually
 - Subtract individual employee amounts above for any employee whose principal place of residence is outside of the United States
 - 2019 health insurance contributions included in Form 1040 Schedule C Line 14
 - 2019 retirement contributions included in Form 1040 Schedule C Line 19
 - Sum of 2019 Quarterly State Unemployment Taxes from state quarterly wage reporting forms
 - Divide the sum of the amounts above by 12 and then multiply by 2.5, and this is your loan amount. Increase this amount by the outstanding amount of any EIDL loan made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any emergency advance under an EIDL loan (because it does not have to be repaid)
- **Documentation Requirements if No Employees**
 - 2019 Form 1040 Schedule C. (Regardless of whether you have filed a 2019 return with IRS, a 2019 Schedule C must be provided with your loan application.)
 - 2019 Form 1099-MISC detailing gross revenues received
 - 2019 invoice, bank statement, or book of record that establishes you are self-employed
 - 2020 invoice, bank statement, or book of record that establishes you were in operation on or around February 15, 2020
 - **Additional Documentation Requirements if you have Employees**
 - 2019 Quarterly 941 Forms (or other tax forms or equivalent payroll processor records)
 - 2019 Quarterly State Unemployment Tax wage reporting forms (or equivalent payroll processor records)
 - Documentation supporting health insurance contributions
 - Documentation supporting retirement plan contributions
 - Payroll statement or similar documentation from the pay period that covered February 15, 2020 that establishes you were in operation on or around February 15, 2020
 - **Eligible Amounts for Forgiveness – for the Eight Weeks beginning with receipt of loan proceeds**
 - 75% or more of loan proceeds used for U.S. payroll costs defined as

- 2019 Form 1040 Schedule C Line 31 net profit up to \$100,000 annualized (maximum of \$15,385, computed as \$100,000 divided by 52 weeks x 8 weeks = \$15,385), plus
- Salary, wages, and tips, up to \$100,000 annualized (maximum of \$15,385 per individual (\$100,000 divided by 52 weeks x 8 weeks = \$15,385)
- Interest on mortgage obligations on real or personal property incurred before February 15, 2020, to the extent they are deductible on Form 1040 Schedule C (business mortgage payments)
- Rent payments on lease agreements in force before February 15, 2020, to the extent they are deductible on Form 1040 Schedule C (business rent payments)
- Utility payments under service agreements dated before February 15, 2020, to the extent they are deductible on Form 1040 Schedule C (business utility payments)
- **Observations**
 - A self-employed individual is not able to include his or her own health insurance or retirement benefits in the loan request
 - Self-employed individuals who do not incur expenses for interest, rent, or utilities, will likely end up with a portion of their loans not being eligible for forgiveness under the eight-week payroll provision
 - Home office deductions for interest, rent, or utilities do not appear to be eligible for forgiveness
 - If you have not filed your 2019 income tax return, you must nonetheless complete a Schedule C with your 2019 income and expenses to submit with your application
 - Any unforgivable loan proceeds will simply need to be repaid at over a two year period at 1% with payments deferred for six months
 - Paid leave under the Families First Coronavirus Response Act should be excluded from the calculations. Reimbursement will be via tax credits – prevents double-dipping.

We remain committed to providing you with information as it becomes available and hope that you find these updates helpful. Please feel free to reach out to us if you have questions or if we can be of assistance.

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