



May 6, 2020

### Payroll Protection Loan – Self Employed

Self-employed individuals and 1099 contractors are eligible to participate in the Paycheck Protection Program (PPP) Loan that is also offered to businesses to cover certain eligible costs. If you do not have any employees, the loan amount is determined based on your Schedule C Net Income (maximum of \$100,000) divided by 12 months and then multiplied by 2.5 months. For example:

$$\$100,000 / 12 \text{ months} = \$8,333.33 \qquad \$8,333.33 \times 2.5 \text{ months} = \$20,833.33$$

If you are self-employed and have employees, you are also allowed to take payroll costs into account when calculating the loan amount. To calculate payroll costs:

Taxable wages on 941 (maximum of \$100,000 per employee)  
+ pre-tax health insurance benefits  
– payroll and benefits of those outside the United States  
+ health insurance costs from Schedule C, Pension and Profit Sharing plans  
+ state unemployment costs  
Total Payroll Costs

As with self-employers without employees, the loan amount is determined by adding total payroll costs to your Schedule C Net Income (maxed out at \$100,000), divide by 12 months and multiplied by 2.5 months.

There are also rules on how the Self-Employed PPP Loan can be forgiven. The amounts spent during the first 8 weeks after receipt of the loan are forgivable if spent on the following:

- (a) replacement of your 1099-MISC income or net self-employment income
- (b) interest on business mortgage
- (c) rent for the business
- (d) business utilities.

If more than 25% of the loan is spent on b, c, and d, then some of the loan may not be forgiven.

Applications are open until 6/30/2020, but it is advised to apply as early as possible as funding for the program is likely to run out. Typical items that are requested upon application are as follows (if applicable):

- Articles of organization
- SS-4 EIN determination letter
- 1099 MISC
- Photo ID
- Bank Statement
- Voided check
- Copy of 2019 Schedule C (or income and expense reports as alternatives)