



CALCULATING PPP LOAN AMOUNTS FOR INDEPENDENT CONTRACTORS AND SELF-EMPLOYED INDIVIDUALS – EMPLOYEES THE CARES ACT QUICK TAKES

- The Small Business Administration provided guidance for individuals with self-employment income who file a form 1040 Schedule C in an Interim Rule issued on April 14, 2020.
- **Eligibility Requirements:**
 - In operation on February 15, 2020. *Must submit a payroll statement or similar documentation from the pay period covering Feb. 15, 2020 to show this.*
 - Have self-employment income (e.g., independent contractor or sole proprietor);
 - Principle place of residence is the United States;
 - Filed or will file a Form 1040 Schedule C for 2019. *Must provide this form with your application, even if have not yet submitted 2019 taxes.*
 - *Other required documentation: 2019 Form 941 (or similar payroll processor records); state quarterly wage unemployment insurance tax reporting forms for each 2019 quarter (or similar payroll processor records); and evidence of any retirement and health insurance contributions.*
- **Loan Calculation:** To determine maximum loan amount if you have employees,
 - Compute 2019 Payroll by adding:
 - 2019 IRS Form Schedule C line 31 net profit amount (max. \$100,000). Ineligible for loan if amount is zero.
 - 2019 IRS Form 941 Taxable Medicare wages & tips (line 5c– column 1) minus any amounts to individual employee in excess of \$100,000 or to any employee with principle place of residence outside US.
 - 2019 employer health insurance contributions (Form 1040 Schedule C line 14), retirement contributions (Form 1040 Schedule C line 19), and state and local taxes assessed on employee compensation.
 - Divide by 12 to determine average monthly net profit. Multiply by 2.5 to determine maximum loan amount.
 - Add the outstanding amount of any EIDL made between 1/31/20 – 4/3/20, less any EIDL COVID-19 advance.

