



PPP Guidance for Self-Employed and Partnerships

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Agenda

- General Overview
- EIDL vs PPP loan
- PPP Loan Details
- PPP Loan Forgiveness
- Q & A

General Overview

- SBA Economic Injury Disaster Loan (EIDL)
 - EIDL Emergency Advance
- Paycheck Protection Program Loan (PPP)
- Existing SBA Loans
- Information Overload
- Fear Based Decisions

EIDL

ECONOMIC INJURY DISASTER LOAN

- Directly through the SBA
- \$2 million max, up to \$10K advance
- Up to 30 years, 3.75% or 2.75%
- Expenses not covered due to COVID19
- Guarantee > \$200K, Collateral over \$25K
- No forgiveness except on advance
- Funding has been very slow on both the EIDL and the \$10k advance, lots of these are being rejected

PPP

PAYROLL PROTECTION PROGRAM

- Existing SBA Lenders – plus new lenders are coming online this week
- 2.5 x average payroll costs, \$10M max
- 2 years, 1% interest rate
- Payroll, interest on mortgage and other loans, rent and utilities
- No guarantee or collateral
- Yes on forgiveness, as defined
- Now accepting applications for businesses and self-employed

Details of PPP Loans

- If you received EIDL loan between 1-31-20 and 4-3-20, you may apply for PPP, if EIDL was used for payroll costs you must use PPP loan to refinance EIDL – you can do EIDL and PPP but must be for different purposes
- Loans are required to be funded by 6-30-20, forgivable and allowable uses can go past 6-30-20
- Lender must make 1st disbursement of loan no later than 10 days from loan approval. 8-week period for debt forgiveness starts with loan disbursement. Could be up to 30 days before full disbursement.

Details of PPP Loans

- Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant
 - **Consider writing an impact statement if you are going to apply on how/why the PPP is necessary**
- Maximum loan is 2.5 months times the average monthly payroll cost. What does “payroll cost” mean for a Schedule C with no employees?
 1. Average monthly payroll cost for self-employed individuals with a Schedule C is the 2019 Schedule C net income divided by 12
 2. No health insurance or retirement plan contributions are included
 3. Limited to a maximum of \$100,000 of Schedule C net income

Details of PPP Loans

- What does “payroll cost” mean for a Schedule C with a some employees?
 1. Average monthly payroll cost for self employed individuals with a Schedule C is the 2019 Schedule C net income divided by 12 **PLUS** the average monthly payroll cost of the employees
 2. No health insurance or retirement plan contributions are included for the owner, but health insurance and employer paid retirement plan contributions are included for the employees
 3. Limited to a maximum of \$100,000 for the Sch C income and also the compensation to the employees

PPP LOAN SITUATIONS

- Self-employed who were not in business during 2019 but were in operation before February 15, 2020 will be handled in future guidance.
 - Currently have no idea how that will work.
- Self-employed Schedule C that had zero income or a loss in 2019 will not be eligible for a PPP loan (even if due to depreciation)
- Self-employed who have not yet filed their 2019 return
 - Prepare the Schedule C and submit with their PPP application even though the full 2019 return has not yet been filed

PPP Loans - Partnerships

- Partnerships have been able to apply for a PPP loan since April 3rd, guidance received finally on April 14th
- Partners in a partnership that are active in the business may not submit their own separate PPP application. Self-employment income of the active partners are reported as a payroll cost on the partnership PPP loan application.
- This appears to include both the guaranteed payment and any ordinary income that is passed through as self-employment to the individual partners, subject to the cap of \$100,000 per partner
- This includes multi member LLCs that are filing as a partnership

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DEBT FORGIVENESS

- Big Question: What is payroll cost for a Schedule C with no employees for the purposes of loan forgiveness?
- Answer: Nothing, no documentation of payroll cost incurred during the 8-week period for the Schedule C owner is required
- Take the 2019 Schedule C income and multiply by 8 weeks divided by 52 total
- $8/52$ of the Schedule C income from 2019 is forgiven automatically
- Still use caution especially during the 8-week period, but no requirements on how that money is spent

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DEBT FORGIVENESS

- Schedule C with \$150,000 of income in 2019 and zero employees
- Maximum loan amount is $\$100,000 / 12 \text{ months} * 2.5 = \$20,833$
- Without employees the absolute maximum is the \$20,833
- Loan Forgiveness is based on the following:
 - $\$100,000 * 8 / 52 = \$15,385$ forgiven automatically
 - Rent, utilities, debt interest expense that are eligible to claim on Schedule C can make up the difference if paid during the 8-week period
 - If no rent, utilities, debt interest expense exist then the remainder will become a loan over 2 years at 1% interest

PPP

DEBT FORGIVENESS

- If a Schedule C business has employees, then the payroll costs for those employees will count, but additional limitations should be considered
- If an individual employee's compensation drops more than 25%, limitations on forgiveness will apply
- If the FTE count of the business declines and is not restored by June 30th more limitations can apply on the debt forgiveness
- Refer back to the Navigating the SBA loan process webinar from April 4th to get more details on these limitations which can be complex
- Calculator on our website to assist with limitation calculations

Other Considerations

- If you don't have a strong banking relationship look to Square, PayPal, or Intuit they are being approved as PPP lenders this week
- Be sure to set up a separate bank account for the PP Loan funds
- Consider using small community banks instead of the big banks, especially if self-employed
- Additional funding for PPP loans likely to happen shortly, we do not anticipate Congress letting the money run out until everyone has been served

Other Considerations

- Unlikely that a self-employed person would qualify for unemployment benefits if receiving the PPP loan, all sources of income need to be disclosed to unemployment office
- Statutory employees with a W-2 should be included in the PPP loans of the company, we don't believe a W-2 statutory employee can file their own PPP application
- Still technicalities, especially on the forgiveness, that are still unknown, so stay tuned and keep good records

Q&A with the SBA Loan Team

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