



Self-Employed Payroll Protection Program Loan Guidance

Robert Smith
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- This information is for self-employed individuals who
 - Filed Schedule C for 2019
 - Were in operation on February 15, 2020
- Guidance will follow later for those who didn't file Schedule C for 2019 but will for 2020



Partners in Partnerships

- Are excluded from the definition of self-employed individuals
- Should include their share of self-employment income in the partnership's PPP calculation

This is a significant change from previous guidance, which appeared to indicate that partners would not be eligible to be included in a partnership's PPP loan.



Partnerships and LLCs that have already applied for a PPP loan

- If the partnerships and LLCs taxed as partnerships have applied for a PPP loan but not received funds yet, contact your lender immediately and request to amend the application.
- If the partnership has already received the loan, contact your lender to see if the amount can be changed to include eligible partners.



What partners are included in this guidance?

- “Active general partners”—a designation on the partner’s Schedule K-1
- Guaranteed payments are not specifically addressed, but by inference would be included if the guaranteed payment constitutes self-employment income of an active general partner.



Schedule C: Calculating the Loan Amount

For Schedule C filers:

- Loan amount is based on net 2019 Schedule C profit
- Capped at \$100,000 (Maximum loan amount is \$20,833)
- Schedule C filers with employees can add the average monthly payroll cost of employees to this figure
- If Schedule C filer recognized a loss in 2019 and does not have employees, the loan amount will be \$0



Required Documentation

- 2019 Schedule C
(even if you haven't filed your 2019 individual income tax return)
- AND
- 2019 Form 1099-MISC showing non-employee compensation in Box 7
- OR
- An invoice, bank statement, or accounting book showing you were still self-employed on February 15, 2020.



Loan Forgiveness

- A maximum of \$15,385 of the loan amount may be forgiven for Schedule C income replacement

$$= \$100,000 / 52 * 8$$

- If 2019 Schedule C income was less than \$100,000, then the maximum forgivable income replacement will be limited to

$$2019 \text{ Schedule C income} * 8 / 52$$



How Can PPP Funds Be Used?

- Home office expenses cannot be paid for with PPP funds
- Only separate business premises or equipment costs (mortgage interest, rent, and utilities) may be included
- No more than 25% of the forgivable loan funds may be used for rent, utilities, or mortgage



Maximum Loan Forgiveness

Criteria to receive maximum loan forgiveness a Schedule C filer with no employees

1. 2019 net Schedule C profit of at least \$100,000 (\$15,385 for the 8-week period, 75% of forgiveness amount)
2. Average rent, interest, and utilities of outside-of-home premises or equipment of at least \$641 per week (\$5,128 for the 8-week period, 25% of forgiveness amount)



What About the Difference?

- $\$15,383 + \$5,128 = \$20,513$
- But if the maximum loan amount is $\$20,833$ what happens to the $\$320$ difference?

With current guidance it appears this will need to be repaid.



Contact Information

For additional advice and assistance, please contact your Saville advisor.

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