

## **Paycheck Protection Program: Self-Employment Income**

The Interim Final Rule published by the Small Business Administration ("SBA") on April 14, 2020 includes specific information on calculating the maximum loan amount for individuals with self-employment income who file a Form 1040, Schedule C.

### ***Are individuals with self-employment income who file a Form 1040, Schedule C eligible for a PPP loan?***

Yes, so long as: you were in operation on February 15, 2020; are an individual with self-employment income; have your principal place of residence in the United States; and filed or will file a Form 1040 Schedule C for 2019. Independent contractors are considered sole proprietors in the eyes of the IRS. Of note, this rule does not permit partners in a partnership to submit a separate PPP loan application as self-employed individuals.

To determine their maximum PPP loan amounts, individuals ***with self-employment income but without employees*** should perform the following calculation: (1) use your 2019 Form 1040 Schedule C to identify net profit amount from 2019, if this amount is more than \$100,000.00, then reduce that figure to \$100,000.00; (2) divide that amount by 12; and (3) multiply the amount in step 2 by 2.5. If the applicant received any Economic Injury Disaster Loan (EIDL) between January 31, 2020 and April 3, 2020, then that EIDL amount should be added to the total from step 3, less the amount of any advance under an EIDL COVID-19 loan.

To determine their maximum PPP loan amounts, individuals ***with self-employment income but with employees*** should perform the following calculation: (1) use your 2019 Form 1040 Schedule C to first identify net profit amount from 2019 (if this amount is more than \$100,000.00, then reduce that figure to \$100,000.00) then add 2019 gross wages and tips paid to employees whose principal place of residence is in the United States, add pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages and tips, and subtract any amounts paid to individual employees in excess of \$100,000.00 annualized and any amounts paid to any employee whose principal place of residence is outside the United States, before, finally, adding 2019 employee health insurance contributions, retirement contributions, and state and local taxes assessed on employee compensation; (2) divide the amount from step 1 by 12; and (3) multiply the amount from step 2 by 2.5. the amount in step 2 by 2.5. If the applicant received any Economic Injury Disaster Loan (EIDL) between January 31, 2020 and April 3, 2020, then that EIDL amount should be added to the total from step 3, less the amount of any advance under an EIDL COVID-19 loan.

Regardless of whether you have filed a 2019 tax return with the IRS, you must provide the 2019 Form 1040 Schedule C with your PPP loan application to substantiate the applied-for PPP loan amount.

Reference the link below to read the text of the April 14, 2020 Interim Final Rule.  
<https://www.sba.gov/sites/default/files/2020-04/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf>

## Contact Us

Reach out to Fraser Stryker's business attorneys for more information. We are here to help:



**Mark L. Brasee**  
[mbrasee@fraserstryker.com](mailto:mbrasee@fraserstryker.com)  
(402) 978-5306



**Neil P. Hassler**  
[nhassler@fraserstryker.com](mailto:nhassler@fraserstryker.com)  
(402) 978-5374

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