



PPP Loans for Self-Employed Workers

The Small Business Administration has released additional guidance related to the availability of Paycheck Protection Program loans to self-employed individuals.

These loans are intended for sole proprietors or independent contractors, and will require the individual to certify that the PPP loan is necessary “to support the ongoing operations” of the borrower. As such, this rule likely does not apply to most ministers to whom Concordia Plans provides benefits, but may apply to some who are not employees of a ministry.

1. I have income from self-employment, am I eligible for a Paycheck Protection Program loan?

You are eligible for a loan if:

- You were in operation on February 15, 2020
- You have self-employment income
- Your principal place of residence is in the United States, and
- You filed, or will file, a Form 1040 Schedule C for 2019

2. How do I calculate the maximum amount I can borrow and what documentation is required?

Assuming you have no employees, use the following steps: (If you have employees or have previously received an Economic Injury Disaster Loan there are additional steps that you can find in the full instructions from the Small Business Administration.)

1. Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount. If this amount is over \$100,000, reduce it to \$100,000.
2. Calculate the average monthly net profit amount (divide the amount from the first step by 12)
3. Multiply the average monthly net profit amount from step 2 by 2.5

You must provide the 2019 Form 1040 Schedule C with your PPP loan application and a 2019 IRS Form 1099-MISC, invoice, bank statement or book of record that establishes you are self-employed. You must provide a 2020 invoice, bank statement or book of record to establish that you were in operation on or around February 15, 2020.

3. How can PPP loans be used by individuals who qualify?

The proceeds of a PPP loan can be used for the following:

- Compensation replacement
- Mortgage interest payments
- Business rent payments
- Business utility payments

You must have claimed or be entitled to claim a deduction for such expenses on your 2019 Form 1040 Schedule C for them to be permissible use during the eight-week period following the initial disbursement of the loan.

4. Are there any other restrictions on how I can use PPP loan proceeds?

Yes. At least 75 percent of the PPP loan proceeds shall be used for payroll costs.

5. What amounts will be eligible for forgiveness?

The amount of loan forgiveness can be up to the full principal amount of the loan plus accrued interest. The actual amount of loan forgiveness will depend, in part, on the total amount spent over the covered period on:

- Owner compensation replacement
- Payments of interest on mortgage obligations on real or personal property incurred before February 15, 2020 to the extent they are deductible on Form 1040 Schedule C
- Rent payments or lease agreements in force before February 15, 2020, to the extent they are deductible on Form 1040 Schedule C
- Utility payments under service agreements dated before February 15, 2020 to the extent they are deductible on Form 1040 Schedule C

6. What documentation will I be required to submit to my lender with my request for loan forgiveness?

The 2019 Form 1040 Schedule C that was provided at the time of the PPP loan application must be used to determine the amount of net profit allocated to the owner for the eight-week covered period.

You must submit evidence of business rent, business mortgage interest payments on real or personal property, or business utility payments during the covered period if you used loan proceeds for those purposes.