



# PPP FOR SOLE PROPRIETORS

## Paycheck Protection Program Loans for Sole Proprietors, Self-Employed and Independent Contractors

The Paycheck Protection Program, part of the new CARES stimulus package, is a federal loan program aimed at helping small businesses, including sole proprietors, independent contractors and eligible self-employed individuals, who have been severely impacted by COVID-19. The main objective of the loan is to help these businesses retain their workforce. As a self-employed individual, this program will provide funds to pay yourself.

### How are eligible self-employed individuals defined?

- Sole proprietors: You report income and pay taxes on a Schedule C in your personal tax return
- Independent contractors: You collect 1099-MISC forms

### What do I need to apply for the PPP?

- You must prove you were in operation on February 15, 2020
- Submit documentation to establish eligibility such as payroll processor records, payroll tax filings, Form 1099- MISC, or income and expenses from a sole proprietorship

For borrowers that do not have any of the above documents, your lender will request other supporting documentation, such as bank records, to demonstrate your qualifying payroll amount.

### Since the PPP loan amount is based on my payroll, how do I calculate that?

Payroll for sole props, self-employed and independent contractors is based on the sum of payments of any compensation to or income that is a wage, commission, income, net earnings from self-employment or similar compensation. To calculate the payroll expense, you can count your wages AND any amount of net income on the business up to \$100,000 under the guidelines of the CARES Act. We'll calculate your loan amount by taking your average monthly payroll and multiplying it by 2.5.

### How does forgiveness work?

Up to 100% of the loan is eligible for forgiveness as long as the following are met:

- Loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs within 24 weeks of receiving loan proceeds
- At least 60 percent of the PPP loan proceeds shall be used for payroll costs in order to be forgivable
- Forgiveness application must be submitted within 10 months after the covered period (up to 24 weeks from loan origination)

### How long will it take to get my loan proceeds?

According to the latest guidance from the SBA, your bank must make the first disbursement of the PPP loan no later than 10 calendar days after the loan is approved.

We appreciate your patience as we navigate the latest developments. Thank you and stay tuned for updates by checking our COVID-19 resources page: <https://www.liveoakbank.com/crisis-small-business-resources/>.

There are important exceptions and conditions to the Paycheck Protection Program and the terms summarized within this document. Please be sure to check with your lender for the latest terms and conditions.

This information is accurate and updated as of 6.9.2020. Terms and conditions are subject to change.