

REBNY Resources:

Paycheck Protection Program for Independent Contractors

During the Coronavirus (COVID-19) Crisis

Starting April 10, 2020, sole proprietors, independent contractors and eligible self-employed individuals are able to apply with participating lenders for the Paycheck Protection Program, a U.S. Small Business Administration (SBA) 7a small business loan.

The Paycheck Protection Program provides a loan equal to 2 1/2 times your average monthly payroll including benefits. Funds can also be used to pay interest on mortgages, rent and utilities.

Loan amounts are calculated using average payroll costs. For independent contractors these include wages, commissions, income or net earnings from self-employment or similar compensation.

Proceeds from the loan that are spent on payroll costs, interest on mortgages, rent and utilities within the eight weeks of receiving funds may be forgiven, provided at least 75% of the loan is utilized to cover payroll costs and the business' payroll is restored to pre-pandemic levels by June 30, 2020. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Tax advisors are suggesting that, for the purposes of PPP, independent contractors file individually using income reported on Schedule C and 1099-MISC forms to determine salary and loan amount. Applicants should be sure to use net salary (income after expenses).

PARTICIPATING INSTITUTIONS

Independent Contractors can apply through any existing SBA 7(a) lender or through any participating federally insured depository institution, federally insured credit union or Farm Credit System institution. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. Consult your local lender to find out if they are a participating institution. All loans will have the same terms regardless of lender or borrower. A list of participating lenders as well as additional information and full terms can be found at www.sba.gov.

Important Note: This overview should not be construed as offering or providing legal advice in any form. The information contained herein is for informational purposes only and is not intended to be exhaustive or complete. This document is not intended to replace the reader's need to speak with their own legal counsel regarding the issues presented. All readers should seek independent legal advice where they have specific legal questions pertaining to specific legal circumstances or where otherwise appropriate.