

Self Employed (Sole Proprietor) with no employees

PPP Loan Guidance

A75) How does a self-employed individual calculate the maximum borrowing amount if they do not have employees?

If the self-employed individual does not have employees, the maximum loan amount is calculated as follows:

Step 1: Locate the 2019 IRS Form 1040 Schedule C line 31 net profit amount (Note: if this amount is over \$100,000 it should be reduced to \$100,000; if this amount is zero or negative, the self-employed individual is not eligible for a PPP loan)

Step 2: Calculate the average monthly net profit amount by dividing the amount from Step 1 by 12

Step 3: Multiply the average monthly net profit amount calculated in Step 2 by 2.5

Step 4: Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that the applicant seeks to refinance, less the amount of any advance under an EIDL COVID-19 loan

Even if the self-employed individual has not filed a 2019 tax return with the IRS, the applicant must provide the 2019 Form 1040 Schedule C with their PPP loan application to substantiate the PPP loan amount applied for and a 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes self-employment. Additionally, the applicant must provide a 2020 invoice, bank statement, or book of record to establish that he or she was in operation on or around February 15, 2020.