

Paycheck Protection Program (PPP) for Schedule C

****Program Deadline: March 31, 2021****

Back in March 2020 the government unveiled the PPP program to help businesses pay employees during the shutdown. Businesses were able to qualify for a forgivable loan through a bank and use that money to pay employees and some other expenses.

Businesses qualified based upon the amount of wages they had paid in the prior year. Their total wage expenses were totaled and then divided by 12 to get a monthly payroll number. The loan amount was then 2.5 times that payroll number. The company had 24 weeks to document they spent that money and if they did then the SBA would pay off the loan at the bank. The loan was originated and serviced by a bank. The loan was set up unsecured at 1% interest for 5 years with no monthly payments. If the business was able to document they spent the money the principal and interest were paid off by the SBA leaving the customer to pay \$0 back. Free money.

This program proved to be more difficult for sole proprietors to qualify for because they don't have wage expenses depending on their size. Some were able to qualify for a PPP if their net income on their tax return was positive. This number was then used as their wage. If their net income was negative they were not able to qualify.

In mid-January the government came out with a second round of PPP funding. Schedule C businesses had to qualify based off of the same criteria as the first round of PPP funding..... UNTIL NOW! Due to a recent change in procedures, schedule C businesses will now be able to qualify based off of their Gross Income. This is only for PPP loans going forward, meaning you can't amend an existing PPP loan.

The PPP program was capped at \$100,000 per employee for computing the wages paid. A schedule C is considered a sole proprietor so the gross income is capped at \$100,000. So if your gross income is over \$100,000 you will be capped at that number. You would then take \$100,000 divided by 12 to get your monthly income. Then multiply by 2.5. This would equate to a PPP loan of \$20,833. Again this loan would be set up at a local bank as unsecured at 1% for 5 years. After 24 weeks the sole proprietor would apply for forgiveness and get the full amount forgiven by the SBA. Sole proprietor would pay \$0 back.

Below are 3 examples of schedule C's and how to calculate the potential loan amounts. The Schedule C's for each examples are on the pages below the example.

Example 1:

On the Schedule C for “Joe Smith” you will see he is a realtor. If you look at line #31 you will see he showed a net income of \$55,000. Under the initial PPP procedures his yearly payroll would be \$55,000. You would have then divided that by 12 to get the monthly payroll of \$4,583.33. Then you would have multiplied that by 2.5x to get your loan amount of \$11,458.

Under new guidelines you will now look at line #7. Line #7 states \$115,000. But since the max per employee is \$100,000 you will use \$100,000 as the yearly payroll. You will then divide that by 12 to get the monthly payroll. In this case it will be \$8,333.33. Then per the program your loan amount is 2.5 times that number. So that would result in a loan amount of \$20,833.

Example 2:

On the “John Doe” Schedule C you will see he owns John Doe’s Equipment Rental. You will notice line #31 shows a negative profit number. Under the old rules, he wouldn’t have qualified. However, under the new rules, you will look at line #7 which shows an amount of \$75,000. You will take this number as the yearly payroll and divide by 12 to get the monthly payroll of \$6,250. Then you multiply the \$6,250 by 2.5 to get a loan amount of \$15,625.

Example 3:

On the “John Wayne” Schedule C you will see he owns an insurance business. Again you will notice line #31 shows a negative, but he does have Wage expense on line #26 of \$40,000. So, under the old rules he would have qualified for $\$40,000/12 \times 2.5 = \$8,333$.

Under the new rules “John Wayne” can now take line #7 (capped at \$100,000) and add in the wage expense on line #26 of \$40,000 for a total yearly payroll of \$140,000. So, under the new rules he now qualifies for $\$140,000/12 \times 2.5 = \$29,166$

All you will need to apply for a PPP loan is your Schedule C and the application form. (If you received a 1st draw PPP loan, then you will need to prove a 25% reduction in your gross sales from any one quarter in 2020 compared to that same quarter in 2019.) The application form will ask for basic information along with the monthly payroll amount. Again loan will be set up for 5 years at 1% interest and be unsecured. Assuming all conditions are met you will apply for forgiveness through the bank and the bank will review your information and submit forgiveness to the SBA. They will then pay off the principal and interest in full for the customer.

This is a major change to the PPP program that is a huge benefit to Schedule C businesses. This is new information from March 2021. Don’t miss out on this opportunity. Please contact us for more information and help applying for the money.

REMINDER THE CURRENT PROGRAM DEADLINE IS MARCH 31, 2021

**SCHEDULE C
(Form 1040)**

**Profit or Loss From Business
(Sole Proprietorship)**

OMB No. 1545-0074

2020

Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (99)

▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor Joe Smith	Social security number (SSN) XXX-XX-XXXX
A Principal business or profession, including product or service (see instructions) Realtor	B Enter code from instructions ▶ 5 3 1 2 1 0
C Business name. If no separate business name, leave blank.	D Employer ID number (EIN) (see instr.)
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code	
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶	
G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses	<input type="checkbox"/> Yes <input type="checkbox"/> No
H If you started or acquired this business during 2020, check here	<input type="checkbox"/>
I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions	<input type="checkbox"/> Yes <input type="checkbox"/> No
J If "Yes," did you or will you file required Form(s) 1099?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Part I Income			
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked ▶ <input type="checkbox"/>	1	115,000
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	115,000
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	115,000
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6 ▶	7	115,000

Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	30,000
9	Car and truck expenses (see instructions)	9	20,000
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	1,000
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	
b	Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	5,000
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	4,000
b	Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28	60,000
29	Tentative profit or (loss). Subtract line 28 from line 7	29	55,000
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.	31	55,000
32	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.		

32a All investment is at risk.
32b Some investment is not at risk.

**SCHEDULE C
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▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor John Doe		Social security number (SSN) XXX-XX-XXXX
A Principal business or profession, including product or service (see instructions) Equipment Rental		B Enter code from instructions ▶ 5 3 2 4 9 0
C Business name. If no separate business name, leave blank. John Doe's Equipment Rental		D Employer ID number (EIN) (see instr.) X X X X X X X X X X
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code		
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2020, check here . . . <input type="checkbox"/>		
I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
J If "Yes," did you or will you file required Form(s) 1099? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		

Part I Income	
1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . <input type="checkbox"/>	1 75,000
2 Returns and allowances	2
3 Subtract line 2 from line 1	3 75,000
4 Cost of goods sold (from line 42)	4
5 Gross profit. Subtract line 4 from line 3	5 75,000
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7 Gross income. Add lines 5 and 6	7 75,000

Part II Expenses. Enter expenses for business use of your home only on line 30.						
8 Advertising	8	10,000		18 Office expense (see instructions)	18	5,000
9 Car and truck expenses (see instructions)	9	15,000		19 Pension and profit-sharing plans	19	
10 Commissions and fees	10			20 Rent or lease (see instructions):	20	
11 Contract labor (see instructions)	11			a Vehicles, machinery, and equipment	20a	
12 Depletion	12			b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	25,000		21 Repairs and maintenance	21	5,000
14 Employee benefit programs (other than on line 19)	14			22 Supplies (not included in Part III)	22	4,000
15 Insurance (other than health)	15	5,000		23 Taxes and licenses	23	
16 Interest (see instructions):				24 Travel and meals:	24	
a Mortgage (paid to banks, etc.)	16a	5,000		a Travel	24a	
b Other	16b			b Deductible meals (see instructions)	24b	
17 Legal and professional services	17	1,000		25 Utilities	25	5,000
28 Total expenses before expenses for business use of home. Add lines 8 through 27a				26 Wages (less employment credits)	26	
29 Tentative profit or (loss). Subtract line 28 from line 7				27a Other expenses (from line 48)	27a	4,000
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30				27b Reserved for future use	27b	
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.				28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28	84,000
32 If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.				29 Tentative profit or (loss). Subtract line 28 from line 7	29	(9,000)
				30		
				31		(9,000)

32a All investment is at risk.
32b Some investment is not at risk.

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Name of proprietor John Wayne		Social security number (SSN) XXX-XX-XXXX
A Principal business or profession, including product or service (see instructions) Insurance		B Enter code from instructions 5 2 4 2 9 0
C Business name. If no separate business name, leave blank. John Wayne's Insurance		D Employer ID number (EIN) (see instr.) X X X X X X X X X X
E Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code		
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) ▶		
G Did you "materially participate" in the operation of this business during 2020? If "No," see instructions for limit on losses . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
H If you started or acquired this business during 2020, check here . . . <input type="checkbox"/>		
I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		
J If "Yes," did you or will you file required Form(s) 1099? . . . <input type="checkbox"/> Yes <input type="checkbox"/> No		

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . ▶ <input type="checkbox"/>	1	300,000
2 Returns and allowances	2	
3 Subtract line 2 from line 1	3	300,000
4 Cost of goods sold (from line 42)	4	175,000
5 Gross profit. Subtract line 4 from line 3	5	125,000
6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7 Gross income. Add lines 5 and 6 ▶	7	125,000

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising	8	20,000	18 Office expense (see instructions)	18	2,000
9 Car and truck expenses (see instructions)	9	10,000	19 Pension and profit-sharing plans	19	
10 Commissions and fees	10		20 Rent or lease (see instructions):		
11 Contract labor (see instructions)	11		a Vehicles, machinery, and equipment	20a	
12 Depletion	12		b Other business property	20b	
13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	55,000	21 Repairs and maintenance	21	5,000
14 Employee benefit programs (other than on line 19)	14		22 Supplies (not included in Part III)	22	2,000
15 Insurance (other than health)	15	5,000	23 Taxes and licenses	23	10,000
16 Interest (see instructions):			24 Travel and meals:		
a Mortgage (paid to banks, etc.)	16a	5,000	a Travel	24a	
b Other	16b		b Deductible meals (see instructions)	24b	
17 Legal and professional services	17	1,000	25 Utilities	25	5,000
28 Total expenses before expenses for business use of home. Add lines 8 through 27a ▶	28	165,000	26 Wages (less employment credits)	26	40,000
29 Tentative profit or (loss). Subtract line 28 from line 7	29	(40,000)	27a Other expenses (from line 48)	27a	5,000
30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____ . Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30		27b Reserved for future use	27b	
31 Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.	31	(40,000)			
32 If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3 , and on Schedule SE, line 2 . (If you checked the box on line 1, see the line 31 instructions). Estates and trusts, enter on Form 1041, line 3 . • If you checked 32b, you must attach Form 6198 . Your loss may be limited.			32a <input type="checkbox"/> All investment is at risk.		
			32b <input type="checkbox"/> Some investment is not at risk.		