

PPP LOANS FOR SELF-EMPLOYED INDIVIDUALS

There are many questions regarding how self-employed individuals can benefit from a Paycheck Protection Program ("PPP") loan. **Self-employed individuals (e.g., sole proprietors, sole members of LLCs and independent contractors) are eligible to obtain a PPP loan and can use the loan proceeds to compensate themselves in addition to any employees they may have.**



According to the SBA's interim rule, only sole proprietors, sole members of LLCs and independent contractors may apply for a PPP loan as self-employed individuals. Those individuals or entities are eligible if they were in operation on February 15, 2020, their principal residence is in the US, and they filed or will file a Form 1040, Schedule C (Profit or Loss for Business) for 2019. The SBA rule provides specific instructions for calculating the maximum loan amount, depending on whether or not the self-employed individual has other employees (see <https://home.treasury.gov/system/files/136/How-to-Calculate-Loan-Amounts.pdf>). PPP loan funds may be used for self-employment income (limited to 8/52 of 2019 net income from 2019 Schedule C) and applicable "payroll costs", plus utilities, rent and mortgage interest as discussed in our previous PPP memos (but only if such expenses were claimed as deductions on 2019 Form 1040 Schedule C).

Partners in partnerships and members in multi-member LLCs taxed as partnerships may **not** apply for PPP loans in their individual capacity. Instead, the partnership or multi-member LLC must apply as an entity for a single PPP loan and may include the self-employment income of general active partners as payroll costs up to a maximum of \$100,000 annualized per general active partner. If you have questions regarding what is "self-employment income" for this purpose, you should consult your accountant or other tax professional.

This memo is intended only as a summary and general overview. If you have any questions or would like legal advice regarding the above or any other PPP loan issue, please contact [David Lawrence](#) or [Sarah Gidley](#).