

# AN INDEPENDENT CONTRACTOR'S GUIDE TO CARES ACT RELIEF

**PPP Loans/Grants**  
**Economic Injury Disaster Loans**  
**Unemployment Compensation**



If you are an independent contractor or self-employed individual, you may be eligible for Paycheck Protection Program (PPP) loans/grants, SBA's Economic Injury Disaster Loans (EIDL), and/or Unemployment Compensation for losses of income related to the coronavirus pandemic.

If you are an independent contractor or are self-employed and don't have any employees, here's what you need to know about each program.

# PAYCHECK PROTECTION PROGRAM (PPP) LOANS/GRANTS

## 1 Am I ELIGIBLE?

You are eligible to apply for a PPP loan as an independent contractor or self-employed individual who has been or will be harmed by the pandemic if all of the following are true:

1. You were in operation on February 15, 2020
2. Your primary place of residence is the United States
3. You filed or will file a Form 1040 Schedule C for 2019 showing self-employment income.

**NOTE:** The SBA will issue additional guidance for those individuals with self-employment income who were not in operation in 2019 but were in operation on February 15, 2020.

**NOTE:** As of April 16, 2020, the PPP program was running out of funds. Congress may replenish funding, in which case this guide will be updated.



## What lenders will NOT LOOK FOR

- That the borrower sought and was unable to obtain credit elsewhere.
- A personal guarantee is not required for the loan.
- No collateral is required for the loan.

## Loan Terms

- Payments deferred for six months
- 1.00% fixed interest rate
- Loan is due in two years

## 2 What will lenders be LOOKING FOR?

First, you will need to fill out the PPP application available on the Treasury's Website ([click here](#)).

You also will need all of the following:

1. Your 2019 1040 Schedule C (even if you haven't filed it with the IRS yet)
2. A 2019 1099-MISC, invoice, bank statement, or book of record that shows you were self-employed in 2019
3. A 2020 invoice, bank statement, or book of record establishing that you were in operation on or around February 15, 2020.

## 3 How much can I BORROW?

For most independent contractors, calculating your PPP borrowing limit is a 3-step process:

**Step 1:** Find line 31 on your 2019 IRS Form 1040 Schedule C (If you haven't filed yet for 2019, go ahead and fill it out). If the amount on Line 31 is over \$100,000, write \$100,000.

**Step 2:** Divide the amount from Step 1 by 12.

**Step 3:** Multiply the amount from Step 2 by 2.5.

For most borrowers, this will be your maximum PPP loan amount

**NOTE:** If you received an EIDL loan between January 31, 2020 and April 3, 2020 you can refinance that as part of your PPP loan (minus any amount received as an EIDL grant).

# 4

## How can I use my PPP LOAN?

**You can use your PPP loan to do any of the following:**

1. Replace your compensation (based on your 2019 income)
2. Pay interest payments on a mortgage or loan (such as an auto loan) you use to perform your business\*
3. Make business rent payments\*
4. Make business utility payments\*
5. Make interest payments on any other debt incurred before February 15, 2020 (but such amounts are not eligible for loan forgiveness)

\* You must have claimed a deduction on your 2019 taxes for expenses described in 2, 3, and 4 above

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## How much CAN BE FORGIVEN?

Borrowers are eligible to have some or all of their loan forgiven.

### How much?

An amount equal to how much you spent in the eight weeks following receipt of the loan for:



Owner compensation replacement, but not to exceed eight weeks of your 2019 compensation up to \$100,000 (8/52 of the 2019 net profit up to \$100,000)



Interest on mortgages on real or personal property incurred before February 15, 2020 to the extent deductible on the 1040 Schedule C



Rent on lease agreements in effect before February 15, 2020 to the extent deductible on the 1040 Schedule C



Utility payments under service agreements dated before February 15, 2020 to the extent deductible on the 1040 Schedule C



**Potential Forgiveness Amount**

**NOTE:** Not more than 25% of the forgiven amount may be for non-compensation



## IMPORTANT

Because many independent contractors do not have deductible expenses for interest, rent, or utilities, their loan forgiveness will be limited to eight weeks worth of their 2019 net profit (replacement compensation).

However, they can borrow 2.5 months worth of their 2019 net profit. That is, if an independent contractor borrows the full amount, they may have a loan balance that needs to be repaid.

# SBA ECONOMIC INJURY DISASTER LOANS (EIDL)

## 1 Am I ELIGIBLE?

You are eligible to apply for an EIDL loan as an independent contractor or self-employed person.

**NOTE: As of April 15, 2020, the EIDL program was running out funds, so loans were only being approved up to \$15,000, and emergency grants were limited to \$1,000 per employee up to \$10,000. Congress may replenish funding, in which case this guide will be updated.**

## 2 What are the loan TERMS, CAPS, and PARAMETERS?

- The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% (up to a 30-year term)
- Payments on Coronavirus EIDL loans are deferred for one year
- Up to \$200,000 can be approved without a personal guarantee
- Approval can be based on a credit score and no first-year tax returns are required
- Borrowers do not have to prove they could not get credit elsewhere
- No collateral is required for loans of \$25,000 or less
- For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate
- The borrowers must allow the SBA to review its tax records

## 3 How can I access an emergency \$10,000 GRANT?

Eligible applicants for an EIDL may receive up to a \$10,000 emergency grant within three days of submitting their application (through Dec. 31). There is no obligation to repay the grant.

Applicants who are denied an EIDL loan are still eligible to receive the \$10,000 emergency grant.

If you secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount

**NOTE:** The Paycheck Protection Program (PPP) created by the CARES Act prohibits borrowers from taking out two loans for the same purpose.

## How Do I Apply?

Apply for an EIDL loan at [SBA.gov/disaster](https://www.sba.gov/disaster)

# UNEMPLOYMENT COMPENSATION

Independent contractors and self-employed individuals are normally not eligible for unemployment compensation. However, under the CARES Act, such individuals can receive benefits under a special Pandemic Unemployment Assistance (PUA) program if they qualify.

## 1 HOW MUCH does the program pay and for how long?

PUA pays the same weekly benefits as your regular state unemployment insurance (UI) program, but the benefits are 100% federally funded. PUA benefits are available for up to 39 weeks.

This program expires on December 31, 2020. Through July 31, 2020, recipients of unemployment compensation will receive an additional \$600 per week on top of the state-calculated benefit.

## 2 Am I ELIGIBLE?

According to the Department of Labor: “An individual who works as an independent contractor with reportable income also may qualify for PUA benefits if he or she is unemployed, partially employed, or unable or unavailable to work because the COVID-19 public health emergency has severely limited his or her ability to continue performing his or her customary work activities, and has thereby forced the individual to suspend such activities” **is eligible.**

**NOTE:** Receipt of a PPP loan may impact your ability to collect unemployment insurance.

## How Do I Apply?

You can apply through your state unemployment office. [Click here to find your state office.](#)

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