

Be Prepared



Another Round of PPP Loans Are Coming to your Local Bank



The PPP Loan

Paycheck Protection Program (PPP)

- ◆ Designed to keep businesses a float that were impacted by the Coronavirus pandemic.
- ◆ **Forgivable:** if you use proper documentation

Terms and Conditions

Interest rate: 1%

Length Loan: 2 years

Repayment: 6 months grace period after loan receipt but
interest continues to accrue

Forgiven: Only if you follow requirements

Uses: Pay employees salaries, benefits
plus other requirements

Who Can Apply?

- ◆ All businesses and Non-profits with less than 500 employees
- ◆ Self-Employed (1099) Persons who made a profit/income
- ◆ Must be in operation on February 15, 2020

Required Documents

Most lenders will start with the following:

- ◆ **PPP Application** <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>
- ◆ **IRS 2019 Schedule C or 1040.** If you didn't file, fill out a form today.



**Paycheck Protection Program
Borrower Application Form**

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other	DBA or Tradename if Applicable _____			
Business Legal Name _____				
Business Address _____				
Business TIN (EIN, SSN) _____				
Business Phone () - _____				
Primary Contact _____				
Email Address _____				
Average Monthly Payroll:	\$ _____	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$ _____	Number of Employees: _____
Purpose of the loan (select more than one):				
<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____				

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 → _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

SCHEDULE C
(Form 1040 or 1040-SR)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074

2019
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

Social security number (SSN)

A Principal business or profession, including product or service (see instructions)

B Enter code from instructions

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN) (see instructions)

E Business address (including suite or room no.) ▶

City, town, or post office, state, and ZIP code

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶

G Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2019, check here

I Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) Yes No

J If "Yes," did you or will you file required Forms 1099? Yes 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
2 Returns and allowances	2
3 Subtract line 2 from line 1	3
4 Cost of goods sold (from line 42)	4
5 Gross profit. Subtract line 4 from line 3	5
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

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

8 Advertising	8	18 Office expense (see instructions)	18
9 Car and truck expenses (see instructions)	9	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	21 Repairs and maintenance	21
14 Employee benefit programs (other than on line 19)	14	22 Supplies (not included in Part III)	22
15 Insurance (other than health)	15	23 Taxes and licenses	23
16 Interest (see instructions):		24 Travel and meals:	
a Mortgage (paid to banks, etc.)	16a	a Travel	24a
b Other	16b	b Deductible meals (see instructions)	24b
17 Legal and professional services	17	25 Utilities	25
28 Total expenses before expenses for business use of home. Add lines 8 through 27a	28	26 Wages (less employment credits)	26
29 Tentative profit or (loss). Subtract line 28 from line 7	29	27a Other expenses (from line 48)	27a
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 or 1040-SR), line 3 (or Form 1040-NR, line 13) 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		
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 or 1040-SR), line 3 (or Form 1040-NR, line 13) 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.

Required Documents for **Self-Employed**

Other documentation a lender may ask for:

- Personal financial statement form (provided by the bank)
- 2018-2019 Tax Statement and/or Income Statement
- Drivers license
- **Form 1099-MISC** detailing nonemployee compensation
- **Any invoice, bank statement, or book of record** that establishes you are self-employed.

Required Documents for **Non-Profits**

PPP is also available for Non-profits that registered as 501(c)(3), 501(c)(19) & Tribal business concern described in section 31(b)(2)(C) of the Small Business Act

- **PPP Application**
- **2019 IRS 990** Form and/or Income Statement
- Articles of incorporation/organization
- Bylaws/operating agreement
- Drivers license of applicant

How to Calculate Your Loan

- Find your 2019 **IRS Form 1040 Schedule C line 31** net profit amount .

2019 Total Payroll Cost/12 mo. X 2.5

Ex. $\$120,000/12 = \$10,000 \times 2.5 = \$25,000$

- If salary is over \$100,000, reduce it to \$100,000 and submit the form to lender.

If this amount (your income/profit) is zero or less, you are not eligible for a PPP loan.

How to Calculate (cont.)

- ◆ **Step 4:** Add or rollover the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance,
- ◆ Less the amount of any advance under an EIDL loan. (ie. \$10,000 grant) because it does not have to be repaid.

Loan Forgiveness

- ◆ The maximum amount of loan forgiveness *i.e.*, the sum of payroll costs and certain overhead expenses — over the **eight-week period** following the date of loan disbursement.
- ◆ For single employee businesses, limit loan forgiveness to a proportionate eight-week share of 2019 net profit, as reflected in your 2019 Form 1040 Schedule C.

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Loan Calculation (cont.)

Loan calculation base differs by entity structure

- ◆ Self employed - maximum base amount will be \$15,385 based on 1040 line 31 and the \$100,000.00 threshold
- ◆ Partnership- no salary for partners, base amount will be partners' self-employment income (capped at \$100,000 per partner) as part of its payroll costs for both employees and partners* *only general active partners included*

Loan Calculation (cont.)

- ◆ **S Corp** –base amount will be monthly payroll(capped at \$100,000), S Corp shareholders should not fail to include their own monthly payroll amount, NOT a distribution
- ◆ **C Corp**-base amount will be based on monthly payroll(capped at \$100,000)

Loan Forgiveness

Loan Forgiveness-Documentation

- 💧 Payroll documentation
- 💧 Documentation of Expenses
- 💧 Important to have a designated PPP Business account

Loan Forgiveness Requirements (cont.)

- ✔ Payment to Non Foreign workers excluded
- ✔ Loan forgiveness will be reduced if you decrease your full-time employee headcount.
- ✔ Loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019
- ✔ Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

Loan Forgiveness (cont.)

- ◆ Loan forgiveness is **NOT** automatic, the Business must request forgiveness of the loan from the lender. The lender must make a decision on the forgiveness within 60 days.
- ◆ In addition, payroll taxes are due on the forgiveness portion of the loan.

TIPS

- ◆ Deferment of employer's share of Social Security tax, for period **March 27, 2020, and ending December 31, 2020**
- ◆ Self-employed individuals may also defer the payment of 50 percent of the Social Security tax on net earnings from self-employment income imposed during the same period, **March 27, 2020, and ending December 31, 2020**
- ◆ **To avoid a failure to deposit penalty:** Payments must be made as follows: December 31, 2021, 50 percent of the deferred amount; and On December 31, 2022, the remaining amount.

Next Steps

Step 1: Contact your accountant, CPA or bookkeeper and tell them that you want to apply for the PPP loan.

If you don't have one, contact your **Dallas Metropolitan Small Business Development Center**

<http://dallasmetropolitansbdc.com/about-us/>

...to speak with an advisor to help you with PPP form, IRS forms and proper documentation.

Next Steps

Step 2: If you don't have a bank, reach out to the Dallas Metropolitan SBDC

Fintechs: (online lenders) approved by SBA

1) Quickbooks 2) Square and 3) PayPal

WARNING

However, if you fail to repay your PPP loan within the 2 year term, a Fintech can levy a lot higher interest rates than traditional banks after those 2 years are up. As much as 45% interest.

Next Steps

Step 3: If your PPP loan is approved, your banker will notify you.

However, watch out for scams. Scammers are taking advantage of your vulnerability in these trying times.

DO NOT give out your pin, bank account number or personal identification to YOUR BANK or SBA or IRS. THEY ALREADY have this information and WILL NOT SOLICIT it.

QUESTIONS?

Contact:

- ◆ Judith Collins, jcollins@dcccd.edu
- ◆ Sergio Bento, sbento@dcccd.edu
- ◆ Mark Christie, mchristie@dcccd.edu
- ◆ Leslie Connolly, lconnally@dcccd.edu