



# Be Prepared

**Another Round of PPP Loans are  
Coming to your Local Bank**



# The PPP Loan

- ◆ The **Paycheck Protection Program (PPP)** is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- ◆ The PPP is intended to provide economic relief to small businesses nationwide adversely impacted by the Coronavirus Disease 2019 (COVID-19)
- ◆ SBA will forgive the loan if you use proper documentation to prove that all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest and utilities.

# Terms and Conditions

<b>Interest rate:</b>	<b>1%</b>
<b>Length Loan:</b>	<b>2 years</b>
<b>Repayment:</b>	<b>6 mo. to 1 yr. after loan receipt</b>
<b>Forgiven:</b>	<b>Only if you follow requirements</b>

# Who Can Apply

- ◆ All businesses and non-profits with less than 500 employees
- ◆ See other eligibility requirements under this link <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
- ◆ Sole proprietors, Independent contractors, & Self-Employed persons who made a profit/income and were in operation on February 15, 2020.

# Required Documents for **Self-Employed**

It's up to the lender to decide the amount of documents you need to provide.

Most lenders however 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.

## Other documentation:

- 🟡 Personal financial statement form (provided by the bank)
- 🟡 2018-2019 Tax Statement and/or Income Statement
- 🟡 Drivers license

# Required Documents for 1099 Contractor

- ◆ **PPP Application**
- ◆ **IRS 2019 1040 or Schedule C Form. If you didn't file, fill out a form now.**
- ◆ **Form 1099-MISC** detailing nonemployee compensation received (box 7)
- ◆ **Any invoice, bank statement, or book of record that establishes you are self-employed.**
- ◆ You must also provide a 2020 invoice, bank statement, or book of record to **establish you were in operation on or around February 15, 2020**

## Other documentation include:

- ◆ Personal financial statement form (provided by the bank)
- ◆ 2018-2019 Income Statement and/or Tax Statement
- ◆ Drivers license



# Required Documents for Partners

If you are a partner in a partnership, **ONLY** one partner must elect to apply.

The self-employment income of general active partners may be reported as a payroll cost, up to \$100,000 annualized, on a PPP loan application filed by or on behalf of the partnership.

Most lenders however will start with the following:

- ◆ **PPP Application** <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>
- ◆ **2019 Schedule C or 1040.** If you didn't file, fill out a form today.
- ◆ Personal financial statement form (provided by lender)
- ◆ 2018-2019 Income Statement and/or Income Statement
- ◆ Drivers license

# 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**

- <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

- ◆ 2018 -2019 IRS 990 Form and/or Income Statement
- ◆ Articles of incorporation/organization
- ◆ Bylaws/operating agreement
- ◆ Drivers license of applicant



# How to calculate Payroll Loan Amount

- ◆ **Step 1:** Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value). If this amount 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.**
- ◆ **Step 2:** Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).
- ◆ **Step 3:** Multiply the average monthly net profit amount from Step 2 by 2.5.
- ◆ **Step 4:** Add 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 COVID-19 loan. (ie. \$10,000 grant) because it does not have to be repaid.

# Other Payroll Documentation

**Other tax forms or equivalent payroll processor records** containing similar information include:

- ◆ State quarterly wage unemployment
- ◆ Insurance tax reporting forms from each quarter in 2019 or equivalent payroll processor records,
- ◆ Along with evidence of any retirement and health insurance contributions, if applicable.
- ◆ A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.

# Determine Loan Forgiveness

- ◆ At least 75 percent of the PPP loan proceeds shall be used for payroll costs.
- ◆ 25 percent will be used for rent, utilities, and interest on mortgage payments.
- ◆ The amount of loan forgiveness can be up to the full principal amount of the loan plus accrued interest.
- ◆ The maximum amount of loan forgiveness is based on the borrower's eligible payments—*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, it is appropriate to limit loan forgiveness to a proportionate eight-week share of 2019 net profit, as reflected in your 2019 Form 1040 Schedule C.

# 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: Contact your bank** if you have the following relationship:

- ◆ Deposit (checking & savings account)
- ◆ Credit Card
- ◆ Line of credit
- ◆ Loans
- ◆ CDs, etc.

**\*Ask them if they are processing PPP loans.**

# Next Steps

**Step 3: If you don't have a bank, or your current bank will not take your application**

**Contact: Dallas Metropolitan Small Business Development Center**

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

**They will know banks that are accepting new PPP loan applicants.**





# Next Steps

**Step 4: If you don't have a bank, or your current bank will not take your application**

**Several Fintechs (online lenders) were approved by SBA to offer PPP loans but only for the term of the loan (2 years).**

**Fintechs approved to administer PPP loans:**

**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 5: If your PPP loan is approved, your banker will notify you.**

**However, watch out for scams. Scammers are taking advantage 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](mailto:jcollins@dcccd.edu)
- ◆ Sergio Bento, [sbento@dcccd.edu](mailto:sbento@dcccd.edu)
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