1. PPP Forgiveness for Independent Contractors and Sole Proprietorships | What You Need to Know - YouTube

<https://www.youtube.com/watch?v=v9hbkj7T51k>

Transcript:

hi folks this is oscar from venture counting and in this video i'm going to be talking about the forgiveness part of the paycheck protection program but specifically as it relates to soul props independent contractors self-employed and so essentially folks that don't have employees now we just did a related video on ppp forgiveness a sort of broader video which we'll link in the description below but that was kind of talking about payroll costs all the stipulations about rehiring employees that sort of stuff so

this video is is going to be tailored actually just for folks who don't have employees sole props etc before we dive in yes this is my coronavirus haircut done in the kitchen over the weekend so do excuse that but so ppp forgiveness obviously the best thing about the loan really is that it can be fully forgiven it can be turned into a non-taxable grant you don't have to pay it back as long as you use it in the right way now for business owners who have employees there's obviously rules on where you can spend that money

it has to be on eligible payroll costs and other approved expenses at bench accounting we've actually produced the checklist if you fall into that category we we again will link that so you can download it below but we've done a checklist of all the things you can spend money on and how you want to document that as you're going along but what's the situation if you don't have people on payroll and obviously the big chunk of this loan is supposed to be spent on payroll um but if you are a sole prop and you

don't fall into that category it's probably a bit confusing now just to kind of rewind the tiny bits in order to kind of understand how this forgiveness part works we've got to think about how top props actually you calculate the loan um to begin with and this is actually based just to remind you of the of your 2019 net income or net profit as reported on line 31 of the schedule c that you'll file it doesn't necessarily have to be already filed just at least prepared and you have the numbers on there

now in order to work out your average monthly payroll cost of sole propriety you take 2019 net income divide by 12 and multiply that number by two and a half and that is the maximum amount that you can borrow it's essentially 10 weeks worth of your 2019 net income now when you get to the forgiveness part of the loan so you've had this loan granted you've received the funds you've got to the end of the period now the way this works is it's a thing called owner compensation replacement and this

was according to recent guidance from the treasury now what owner replacement i sorry owner compensation replacement is is essentially of those 10 weeks worth of 2019 net profit eight weeks can be considered automatically forgiven so to give you an example if you have um you've got a reported number on your 2019 schedule c on that line 31 so the net income line you divide that net profit total for year divided by 52 to reach that weekly amount multiply that by eight and that is the amount of the loan that can be

automatically considered for given so you don't need to do anything you don't need to record the fact that you've been paying yourself on some sort of payroll or anything like that that can be automatically forgiven what you'll need to do is have your schedule c take it into your lender and show what your 2019 net profit line was and then you can kind of do the calculation from there and so that is a huge development for sole props it's going to make the whole forgiveness part a whole lot easier now you will be left

with the other two weeks with net profits and that's the money you can spend on things like mortgage interest payments utilities um rent and lease agreements those sort of things provided they sort of have a have a business purpose or you can attach it to the business the the big question here that a lot of people have is that what if i don't have those things sort of attach the business name that i can actually spend the rest of the money on and and the simple answer there is you can just pay it back now

to remind you the terms of the loan it's a two-year loan with a a really low interest of of one percent um by far the the lowest loan you're going to find the lowest interest rate loan that you're going to find out there so paying it back especially if you pay it back early even there's no prepayment penalties or anything like that so you're going to have accrued a very small amount of interest so there's really no problem just with paying that back at the end of the eight week period if

you don't have anything more to spend that money on so that's essentially it remember it's the it's your 2019 net profit divide that by 52 multiply that number by eight and that if you're a sole prop is the amount of your ppp loan that can be automatically considered forgiven thanks very much for watching