1. Self-Employment and the Paycheck Protection Program | What You Need to Know - YouTube

<https://www.youtube.com/watch?v=g0B1vlMWZ58>

Transcript:

okay hi everyone this is Oscar from bench accounting and this is gonna be our second video on the on the Paycheck protection program now more specifically in this video we're going to talk about how it relates to sole proprietors self-employed independent contractors just a quick recap on on the PPP this is the three hundred fifty billion dollar program that was introduced as part of the cares Act in order to provide sort of stimulus to small and small businesses in the US that have been affected by covert 19 and really the

whole purpose of of the funding is to help them maintain payroll and maintain head counts and staffing levels to what they were before the before the pandemic there's no cost to apply there's no fees either from the SBA or from the lender and there's no requirement for collateral or guarantees things like that again it's it's a 1% loan it's got a duration of two years and most importantly for this if you use the loan for its intended purposes so you pay payroll you are allowed some other

eligible expenses like things like mortgage interest utilities rent agreements this loan can be fully forgiven and essentially just turned into a non-taxable grant now if you are a now I mean it says on the application form you know there's sole prop self-employed independent contractors they can all apply but just to kind of reiterate that here you know if you are reporting your business income on a Schedule C on your personal tax return you are eligible for this program even if you don't necessarily have a

bunch of employees same if you're an independent contractor you know if you're collecting 1099 s and using that to report your income you are you are eligible for this program even if you're a gig economy worker so you're just doing jobs through through uber or lyft or TaskRabbit things like that again you can apply for this program and you should the only stipulation here is that you have to have been in operation before the 15th and Feb of this year so if you started starting up in March unfortunately you don't you don't

qualify for PPP now if you are a sole proprietor so if you run a business by yourself you are a sole price even if you haven't necessarily let the IRS know yet now your business income is reported on your Schedule C on your personal tax return and it's this this net earnings this net profit which is gonna be the key thing for you in determining how much you can borrow through the PPP now because you don't necessarily have any w-2 employees that you're paying this net profit line is how you get that how you kind of

reach that maximum amount that you can borrow so you you look at your 2019 tax return and if you don't have that you can use your income statement from your financials look at that 2019 business net profit divided by 12 to reach your average monthly figure and then multiply that by 2.

5 and that is the maximum amount you can apply for do note here that if you if that net profit is over a hundred thousand this program only covers up to that a hundred thousand mark so it's capped at that so do do bear that in mind a couple of other points here is that if as a sole prop you can calculate the total amount you can apply for using both your your employee payroll costs and your net profit figure all goes into the calculation you don't have an employee's you can just use that net profit line another thing on this is that remember

that if you're paying independent contractors 1099 this does not count towards that towards that monthly payroll cost figure as independent contractors can apply separately also bear in mind this this is kind of one and this is kind of one wrinkle in this is that if you are a if you own a corporation and you are not so you should be paying yourself on on you to be paying your salary through payroll now if you're not paying yourself through payroll that salary is not eligible eligible to be covered by the PPP so in this

instance we recommend going down the route of the economic injury disaster loan rather than the PPP now if you are a an independent contractor in the eyes of the IRS you are essentially as a sole proprietor anyway so the the the calculation is broadly the same again you can just take your net profit as reported on your Schedule C and divide that by 12 bearing in mind the cap at a hundred thousand for the year to reach your average monthly payroll cost figure now if you if you haven't filed the 2019 you can always use your financial record

so your bookkeeping and you can you can even just use your 1099 s and just add up all your 1099 s for the year and and use that as a way to calculate how much you want to borrow now in terms of applying some of the financial records that you will need as you fill in the application you take it to your bank then you'll often need some supporting documents in order to kind of show to evidence what you have asked for in terms of maximum amounts so you will need things like your payroll processor records your payroll tax filings so

forms 949 forty one those 1099 s we are talking about and then also any records of income and expenses so any bookkeeping that you've got would be great to have here and as a last resort always just take bank statements that would be another option now in terms of how to apply again this is just done through your bank I would ring them up just check that they are actually offering these PPP loans as there have been some delays with some banks there's been some sort of problems with others so do double

check that they are in operation if you are a sole proprietor applications opened on the 3rd of April so you can apply if you are a if you are an independent contractor or self employed applications open on the 10th of April so key date there and again you are your encouraged to apply as early as you can this is a first-come-first-served program there are reports of additional funding being pumped into it so hopefully if money does run out there will be more available however do you think of this still as a first-come first-served and

do apply early in terms of what bench can do to help now we've mentioned a couple of things out it's gonna be important to have your financial record keeping now if you need and bookkeeping done for 2019 so you can show what your net profit line is we can absolutely help with that also as part of this program you're going to need to show over the two-month period that you have the loan exactly where you've spent that money so record-keeping is again gonna be super important so feel free to give us a call shoot us a message if you

want to talk about and getting that bookkeeping and span that is all for me on the PPP as it relates to independent contractors do please check the description at the bottom of all these videos we're updating our blog all the time there's and there's an ask on this very subject so Bench Co forward slash blog and we also host weekly webinar sessions including there's gonna be one on this on this subject as well all the details of that you can find below so do check it out but that's um that's all from me

thanks very much for watching thank you