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## Journal of Accountancy

# SBA publishes new PPP guidance for the self-employed and general partners

By Jeff Drew

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The U.S. Small Business Administration issued a [new interim final rule \(https://home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf\)](https://home.treasury.gov/system/files/136/Interim-Final-Rule-Additional-Eligibility-Criteria-and-Requirements-for-Certain-Pledges-of-Loans.pdf) Tuesday that supplements the guidance for the Paycheck Protection Program (PPP) included in the first interim final rule for the PPP issued on April 2 and [FAQs \(https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf\)](https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf) that are being updated periodically.

The additional guidance provides specific information on calculating the maximum loan amount for individuals with self-employment income who file a Form 1040, Schedule C, *Profit or Loss From Business*. The 2019 Form 1040 Schedule C is required to be provided with the PPP loan application, according to the interim rule, which notes that detailed documentation guidelines are also required. Guidance is also provided on how PPP loans may be used and how loan forgiveness will be calculated.

The SBA stated it will issue additional guidance for those individuals with self-employment income who: (1) were not in operation in 2019 but who were in operation on Feb. 15, 2020, and (2) will file a Form 1040 Schedule C for 2020.

Additionally, the new guidance directs that the self-employment income of partners in a partnership 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 (or LLC filing taxes as a partnership). Individual partners may not submit a separate PPP loan application as a self-employed individual.

The guidance also addresses the eligibility issues of certain business concerns and requirements for certain pledges of PPP loans.

Congress created the PPP as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. Under the PPP, Treasury and the SBA are offering \$349 billion in forgivable loans that small businesses damaged by the COVID-19 pandemic can use to cover costs including payroll, rent, utilities, and mortgage interest.

Businesses with no more than 500 employees began applying for the loans on April 3. The application window opened April 10 for those with self-employment income who file Schedule C with their Form 1040. This includes independent contractors, gig workers, and sole proprietors, including those who have other employees.

As of the close of business on Monday, the SBA had approved \$242 billion in PPP loans to 1.01 million small businesses through 4,662 approved SBA lenders, according to [a tweet \(https://twitter.com/marcorubio/status/1250033245808451584\)](https://twitter.com/marcorubio/status/1250033245808451584) Tuesday from U.S. Sen. Marco Rubio, R-Fla., one of the biggest supporters of the program.

The CARES Act established the PPP as a new 7(a) loan option overseen by Treasury and backed by the SBA, which is authorized to provide a 100% guarantee to lenders on loans issued under the program. The full principal amount of the loans and any accrued interest may qualify for loan forgiveness if the borrower meets requirements related to having employees on payroll.

*The AICPA's [Paycheck Protection Program Resources](https://www.aicpa.org/interestareas/privatecompaniespracticesection/qualityservicesdelivery/sba-paycheck-protection-program-resources-for-cpas.html)*

*(<https://www.aicpa.org/interestareas/privatecompaniespracticesection/qualityservicesdelivery/sba-paycheck-protection-program-resources-for-cpas.html>) page houses resources and tools produced by the AICPA to help address the economic impact of the coronavirus.*

*For more news and reporting on the coronavirus and how CPAs can handle challenges related to the outbreak, visit the JofA's [coronavirus resources page \(/info/coronavirus-resources-for-cpas.html\)](/info/coronavirus-resources-for-cpas.html) or [subscribe to our email alerts \(/info/news-email-form.html\)](/info/news-email-form.html) for breaking PPP news.*

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