

PPP Weekly Update

Originally published March 1, 2021- March 8, 2021 Update

Our March 1 PPP Weekly Update discussed the SBA’s PPP loan rule changes for independent contractors. This update includes the most recent SBA official guidance issued on March 3, 2021<sup>1</sup>.

Self-Employed’s Get a Larger PPP Loan

The new rules increase the maximum PPP loan amount available to your independent contractors.

Under the new rules, self-employed individuals can use either line 7 of their Schedule C, “Gross income” or line 31 “Net profit or (loss)”. For many self-employed’s, using line 7 increases the maximum PPP loan amount as business expenses such as transportation, supplies, home office, etc. are no longer deducted.

To help self-employed’s file for PPP loans under the new rules, the SBA has created two new PPP loan applications that incorporate the new rules: Form [2483-C](#) (for first-time borrowers) and Form [2483-SD-C](#) (for applicants applying for a second PPP loan).

<sup>1</sup> The SBA Interim Final Rule (IFR) is titled: Business Loan Program Temporary Changes; Paycheck Protection Program — Revisions to Loan Amount Calculation and Eligibility. [Click here](#) to view this IFR.

THIS UPDATE IS NOT INTENDED TO PROVIDE LEGAL OR TAX ADVICE.

PLEASE CONTACT YOUR LEGAL OR TAX ADVISOR REGARDING HOW THE CONSOLIDATED APPROPRIATIONS ACT OF 2021 IMPACTS YOUR ORGANIZATION.

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### Here is how the new calculation will work:

Most self-employed individuals without employees will: (i) take the amount on line 7 of their Schedule C tax form; (ii) divide this by 12 months (to get the average monthly gross income); then, (iii) multiply their average monthly gross income by 2.5<sup>2</sup> to determine the maximum PPP loan amount. If the self-employed individual has employees, the calculation is a bit more complicated. In either case, we suggest getting professional advice before applying.

### Can a self-employed individual who never received a PPP loan apply for both a First Draw and Second-Draw loan?

In our original March 1<sup>st</sup> *PPP Weekly Update*, we noted it was unclear if self-employed individuals who: (i) do not have employees; and (ii) did not apply for a First Draw loan last year, might be able to apply for both a First Draw and Second-Draw loans between now and the end of the PPP program on March 31<sup>st</sup>. Since the SBA is silent on this issue, we are advising self-employed individuals who never applied for a PPP loan, to only apply for a First-Draw loan... and do it soon.

### New rules do not apply to previously approved PPP loans

New rules do not apply to self-employed's whose PPP loan has been approved by the SBA before March 3, 2021. Furthermore, there is no process for revising an approved loan application. In short, the new rules only apply to new loans. If your self-employed contractors applied for a PPP loan prior to March 3 and want to take advantage of the new rules, we recommend they immediately contact their lender with a revised application using form [2483-C](#) or [2483-SD-C](#).

### Expanded eligibility

The new rules remove the eligibility restriction that prevents businesses with owners who: (i) have non-financial fraud felony convictions in the last year; and/or, (ii) are delinquent or in default on their Federal student loans from obtaining PPP loans. The changes apply to both First Draw PPP Loans and Second Draw PPP Loans.

### MNA can provide guidance

MNA continues to offer free technical assistance to help your organization and its staff. Do not hesitate to ask for help. To schedule a technical assistance appointment, [click here](#).

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<sup>2</sup> If the self-employed individual is in the hospitality/restaurant industry (the business's NAICS code begins with "72"), the multiple is increased from 2.5 to 3.5.