SBA Paycheck Protection Program (PPP) for Artists, Independent Contractors, and Business Owners

Here at the Arts & Business Council of Greater Boston (ABC), we understand that the outbreak of the Coronavirus (COVID-19) has had a great impact on our community of artists and arts organizations. ABC is committed to providing support and resources that may help to alleviate some of the stressors your businesses may be facing.

**July 7 Program Update:** The Paycheck Protection Program resumed accepting applications on July 6, 2020. The new deadline to apply for a PPP loan is **August 8, 2020** (some banks may have an earlier deadline).

PPP loans provide funds to cover payroll and other business expenses, and up to 100% of the loan can be forgiven. Please note that the program has changed in recent weeks, and it has become easier to qualify for complete forgiveness. More details on the forgiveness process and application can be found on our [COVID-19 Resource Page](#).

**What is a PPP Loan?**

- PPP is a forgivable loan program that helps small businesses keep their workforce employed during the Coronavirus (COVID-19) crisis.
- The loan is intended to cover expenses paid or incurred during a 24-week period. Borrowers who received their loans before June 5, 2020 may elect to use an 8-week period instead. This time period is known as the **Covered Period.**
  - Borrowers may select this option so as not to be required to maintain payroll levels for an additional 8 weeks, which could impact the amount of loan forgiveness

**Who Can Apply?**

- Any business or 501(c)(3) nonprofit organization with under 500 employees
- Any 501(c)(19) veterans organization, or Tribal business concern that meets SBA’s size standards
- Sole proprietorships, independent contractors, self-employed individuals, and gig workers
  - Partners within a Partnership are not eligible to receive a separate loan for themselves as a self-employed individual. You must submit the loan application by or on behalf of the Partnership.
- Businesses in the food or hospitality industry (NAICS codes beginning in (72) may be eligible on a per location basis.
- Faith-based organizations. See full SBA guidelines [here](#).
- Your business must have been in operation by **February 15, 2020**
What can the loan be used for?

- Payroll costs
- Mortgage interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- You cannot receive funds from another SBA program (such as EIDL) for the same purpose and during the same period of a PPP loan. If you received an EIDL to cover payroll costs between January 31, 2020 and April 3, 2020, the PPP loan must be used to refinance that EIDL.¹

Sole Proprietors, Independent Contractors and Self-Employed Individuals

- Owner compensation replacement
- Employee payroll costs, if applicable
- Mortgage interest payments on any business mortgage obligation on real or personal property that was incurred before February 15, 2020
- Payments on business rent obligations on real or personal property under a lease agreement in force before February 15, 2020
- Business utility payments for the distribution of electricity, gas, water, transportation, telephone, or internet access for which service began before February 15, 2020
- Refinancing an EIDL loan made between January 31, 2020 and April 3, 2020. If that EIDL was used for payroll, you must refinance.

*The above nonpayroll business expenses are authorized if they are incurred during the Covered Period, and the agreements or contracts for those expenses are dated prior to February 15, and they are claimed as deductible expenses on your 2019 Schedule C

When to Apply

- PPP loans are currently available through August 8, 2020 or until funds have run out. They are awarded on a first come, first served basis.

How to Apply

Existing SBA 7(a) Lenders in Massachusetts

- Click on the links below to see if your local lender is an existing SBA 7(a) lender in Massachusetts. If your local lender is not on the list below, please call them to see if they have been recently approved to participate in the PPP.
  - Top SBA Lenders in Massachusetts
  - SBA Official Massachusetts Lender List

Other Options

- Apply through
  - Any federally insured depository institution
  - A federally insured credit union
  - A farm credit system institution

¹ For more information about the Economic Injury Disaster Loan program (EIDL), visit the EIDL document on our COVID-19 Resource Page.
Official Application Form

- You can find the official SBA PPP Borrower Application Form here. Please keep in mind individual banks and lenders may use their own application form, but the information required will be the same.

What Do I Need to Apply?

For Businesses and Nonprofit Organizations

- Payroll documentation
  - The SBA Application asks for payroll costs from January 2019-December 2019, but individual banks may ask for the most recent 12 months. Considering this, be prepared to provide payroll information over both time periods.
  - Exclude compensation of an individual employee in excess of an annual salary of $100,000
  - Seasonal Businesses can elect to use an average monthly payroll for the time period between February 15, 2019 and June 30, 2019 OR $10 million (whichever is smaller)
  - New Businesses can elect to use average monthly payroll payments from January 1, 2020 to February 29, 2020 OR $10 million (whichever is smaller)
  - If your business utilizes an external payroll company, you may need to provide reports received directly from them as well.
- Most recent financial documents available covering the past year
- Health insurance premiums paid by the business owners under a group health plan
- Company retirement plan funding paid for by the company

For Sole Proprietors, Independent Contractors and Self-Employed Individuals

Proof of Income in 2019, via:

- Form 1040 Schedule C for Sole Proprietors and Independent Contractors
  - Regardless of whether you have filed a 2019 IRS tax return, you must provide the 2019 Form 1040 Schedule C with your PPP loan
- 1099 Forms
- Payroll processing records and payroll tax filings
  - Bank records, if the above are unavailable

Loan Terms

- Loans made on or after June 5, 2020 have a minimum maturity of 5 years
- Loans made before June 5, 2020 maintain their previous maturity, which is most often 2 years
  - The June 5 Paycheck Protection Program Flexibility Act (PPPFA) does not prohibit lenders and borrowers from mutually agreeing to modify the two-year term of existing PPP loans to conform with this new section
  - If you would like to renegotiate the maturity of your loan, contact your lender
- Interest Rate: 1%
- Total loan amount not to exceed $10 million
- Payments deferred for 6 months
- No prepayment penalties
• No collateral or personal guarantees are required
• No fees from government or lenders
• Borrowers may now continue to defer payroll taxes through the end of 2020

Calculating Loan Amount: Average Monthly Payroll Costs

Businesses and Nonprofits
1. Add together **all** payroll costs from the last 12 months (or from January 1 - December 31, 2019); then
2. Subtract any compensation paid to an employee in excess of an annual salary of $100,000; then
3. Divide that number by 12; then
4. Multiply by 2.5; then
5. Add the outstanding amount of any **non-forgivable** EIDL made between January 31 and April 3, 2020

*Businesses that employ independent contractors may **not** include those costs in their payroll estimate for the loan, as they are eligible to apply for their own PPP loan.

Sole Proprietors, Independent Contractors and Self-Employed Individuals
1. Take your 2019 **net profit** up to $100,000 (from Form 1040 Schedule C line 31 for Sole Proprietors and Independent Contractors or 2019 payroll tax filings for Self-Employed), then
2. **Divide** by 12, then
3. **Multiply** by 2.5
4. **Add** the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any COVID-19 EIDL Advance.

*If your 2019 net profit is $0 or less, you are not eligible for a PPP loan.

Sole Proprietors / Self-Employed Individuals WITH EMPLOYEES
1. **Add:**
   a. 2019 **net profit** (Schedule C, line 31) up to $100,000, plus
   b. 2019 **gross wages and tips** (up to $100,000) paid to employees (Form 941 Taxable Medicare wages & tips, line 5c, column 1) from each quarter, plus any pre-tax employee contributions to health insurance or other fringe benefits excluded from Taxable Medicare wages & tips, plus
   c. 2019 **employer health insurance contributions** (Schedule C, line 14), **retirement contributions** (Schedule C, line 19), and **state and local taxes** assessed on employee compensation
2. **Divide** the total from step 1 by **12**, then
3. **Multiply** by **2.5**, then
4. **Add** the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any COVID-19 EIDL Advance.

*SBA has not yet released additional guidance for self-employed individuals **not** in operation during 2019 but were operating by Feb 15, 2020, as they will not have 2019 business and tax records.
PPP Flexibility Act (PPPFA)

- On June 5, the US government enacted changes to the Paycheck Protection Program to make it easier for business to qualify for loan forgiveness on a larger portion of their loans
  - PPFA extends the “covered period” from 8 weeks to 24 works from the date of the origination of the covered loan, or December 31, 2020, whichever is earlier. A borrower whose loan was made prior to June 5, 2020 may elect to keep the original 8 week covered period. A borrower whose loan was made on or after June 5, 2020 must use the 24 week loan forgiveness covered period.
  - PPFA lowers the amount of the PPP loan required to be spent on payroll costs from 75% to 60%.
- All changes signed into law on June 5, 2020 are retroactively applicable as if they were included in the original CARES Act, except for the change in loan term (maturity date), which is prospective.

For more information, visit our COVID-19 Resource Page to view documents dedicated to PPP Forgiveness and Frequently Asked Questions.