

How can PPP loans be used by individuals with income from self-employment who file a 2019 Form 1040, Schedule C?

The proceeds of a PPP loan are to be used for the following.

- Owner compensation replacement. 2019 net profit from line 31 of Schedule C divided by 52 multiplied by 8. Done. Max.
- Employee payroll costs (as defined in the First PPP Interim Final Rule) for employees whose principal place of residence is in the United States, if you have employees.
- Mortgage interest payments in the business
- Business mortgage obligation on real or personal property
- Interest on your mortgage for the warehouse you purchased to store business equipment
- Interest on an auto loan for a vehicle you use to perform your business
- Business rent payments
- Business utility payments
- Gas you use driving your business vehicle

You must have claimed or be entitled to claim a deduction for such expenses on your 2019 Form 1040 Schedule C for them to be a permissible use during the eight-week period following the first disbursement of the loan (the “covered period”).

For example, if you did not claim or are not entitled to claim rent expenses on your 2019 Form 1040 Schedule C, you cannot use the proceeds for rent during the 8 weeks

ABOVE SOURCE: SBA Guidelines 4/14/2020

NOT INCLUDED PER JJ THE CPA

- Home mortgage, utilities, phone or internet
- Self-employed health insurance premiums
- Self-employed retirement plans
- HSA, IRA, Roth IRA, 401K, Simple Plan on Sole-Proprietor
- Mileage, supplies, people or businesses you pay 1099s to