



March 12, 2021

Schedule C PPP Borrowers Can Use Gross Income Borrowing Base

On Wednesday, March 3, 2021, the SBA issued interim final rules, titled "[Business Loan Program Temporary Changes; Paycheck Protection Program](#)" which provided a number of important changes for independent contractors and sole proprietors, including using gross income instead of net profit to calculate their maximum loan amount.

The catch, the change is not retroactive. Borrowers that already been approved cannot increase their loan amount based on the new methodology. If you are in the middle of a loan application, it will be important to determine if you should withdraw your application and reapply. **Note the current deadline for PPP applications is March 31, 2021.**

This IFR allows a Schedule C filer who has yet to be approved for a PPP first or second-draw loan to elect to calculate the owner compensation share of the payroll cost based on either net profit (line 31 of Schedule C) or gross income (line 7 of Schedule C). Note, the IFR differentiates the loan calculation for Schedule C borrowers without employees and those with employees.

A Schedule C filer that reports more than \$150,000 of gross income for it's first draw PPP loan will not be able to claim the safe harbor provided to borrowers with loans of less than \$2 million. The SBA will review a sample of first draw PPP loans to Schedule C filers using the gross income methodology to assess whether the borrowers complies with the PPP eligibility criteria, including the good faith loan necessity certification.

More information regarding COVID-19 for businesses and individuals can be found [here](#). If you have further questions or need additional guidance, please call (616) 575-3482 or email info@ehtc.com. Thank you for choosing EHTC as your strategic partner.