

## **COVID-19 Related Financial Help for Sole Proprietor Therapists (and other self-employed folks, too)**

**\*\*\*\*I am a clinical social worker and NOT an attorney or a CPA.\*\*\*\* This document has been created to track a confusing and quickly-changing situation, and is based on my best personal understanding of what I have read/heard from my CPA, bookkeeper, 2 dozen articles, and one attorney. Please do your own fact-checking, okay? Also, if you see a mistake in here, please email me so I can correct it!**

### **TL;DR version**

Private practice therapists can likely qualify for a FORGIVABLE loan to help get your business through the COVID19 pandemic.

- You have to apply for a loan. (and you should!)
- There are forgivable grants of up to \$10,000 available through one loan program. (EIDL)
- Forgivable grants for potentially > \$10K exist from another loan program. (PPP)
- You might be able to get both **\*\*loans\*\*** but you can't double up on the amount that is forgivable
- There are rules about what you can do with the money in order for the loan to be forgiven.
- You should talk with your CPA/attorney to get official advice.
- 4/5/2020 update: The EIDL loan website says you get your money within 3 days. I never really believed that, that seems shockingly fast, but current rumors are that you should expect 3 weeks instead.
- 4/6/2020 update: Rumors of the EIDL grant are that the amount given as forgivable grant may be less than 10K. (although no one knows anyone who has actually received one of any size yet... LMK if/when you do.)
- 4/6/2020 update: I have business banking accounts at 2 different banks. Bank 1 holds my office mortgage. They won't loan me money for my therapy business, which is where I would qualify for PPP. Bank 2, with my therapy business, won't have their application process open until the end of this week at best. This does not bode well for my ability to access these funds before they run out. Consider your own situation. Apparently, the relationship with your bank needs to fit within some pretty narrow parameters.

### **Full details**

The new CARES Act has money in it that is designated to be given/loaned to small businesses to keep us in business. There are 2 main loan programs for private practice therapists to investigate. They have a lot in common but there are a few differences that could be significant for you.

#### **EIDL**

EIDL is a disaster loan program that has existed for a long time. Just a few days ago, they added a \$10,000 forgivable grant to this loan program. The grant was designed to distribute

money very quickly--supposedly within 3 days. (!!!) EIDL requires you to be affected by a disaster, but the whole country, I think (certainly Texas) has been declared a disaster area. There are a bunch of other things you have to have to qualify for this loan, but in general a therapist in private practice should meet the qualifications. You can apply for the EIDL loan and grant from the SBA website. Link at the end.

### PPP

PPP is a brand new loan program, which the feds are still rolling out. They haven't figured out all the details but are trying to move fast to help people quickly, so this is a "fire ready aim" situation. (haha! gallows humor=coping strategy) PPP doesn't have a super quick distribution, and will be handled by *private* lenders, but otherwise is pretty similar. Your loan amount is determined by your previous income. 2.5 x your monthly income is your max amount of loan. The thing that's better about PPP is that you might be able to get a larger amount of money forgiven if 2.5 x your average monthly salary is >10K. Or to say it another way, if you make more than \$4K per month, you might qualify for more forgivable money from the PPP loan.

My brain likes visuals, so I made a comparison chart:

	EIDL	PPP
Money in a hurry?	10K in 3 days	Not so much
Some of the loan is forgivable?	Yes	Yes
How much forgivable?	10K	8 weeks' payroll, mortgage interest, rent, utilities
Lender	SBA	Private Lenders
What can I spend forgivable \$ on?	Payroll, mortgage principal and interest, rent	Payroll, mortgage interest only, rent, utilities
Interest rate		3.75%
Term	Up to 30 years	2 years
"Injury" required?	Yes	No
Loan fees	Unknown	No
	<small>"The advance does not need to be repaid under any circumstance, and may be used to keep employees on payroll, to pay for sick leave, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments."</small>	

Can have both loans but must use \$ for different things. You can't double-up on the forgivable portion. If you get a EIDL grant, that \$10k will be deducted from the forgivable portion of the PPP loan.

## Notes

- One of my first big questions was about the concept of “payroll.” I am a sole proprietor. I have a work bank account. I have a weekly automatic transfer of money from my work account to my personal account. Sometimes when I need more money, I transfer more out. My understanding is that that is fine. Sole proprietors are included, even though the only person on the payroll is us, even though we don’t do official payroll like with check stubs or whatever, even though the amount might fluctuate.
- Here’s what the Act says about sole proprietors, etc., and what financial documentation they need to qualify: “You are also eligible for a PPP loan if you are an individual who operates under a sole proprietorship or as an independent contractor or eligible self-employed individual, you were in operation on February 15, 2020. You must also submit such documentation as is necessary to establish eligibility such as payroll processor records, payroll tax filings, or Form 1099-MISC, or income and expenses from a sole proprietorship. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.”
- Consider opening up a separate bank account to keep the records very clean about what gets spent/transferred where. (But recognize that various banks have various agreements about their account fees.) Documentation about where the money went (a) hasn’t been spelled out yet, but (b) is going to be very important in the future. Over-document to be safe.
- There’s early evidence that there are more wannabe borrowers than lenders. Some PPP lenders are saying they will only work with borrowers that they already have an existing **\*\*lending\*\*** relationship with.
- There’s also early opinions that there are not enough dollars designated to this program. Might be better to apply sooner rather than later.
- I have chosen to apply for both loans. The EIDL loan, because it is an existing loan program, seems a little more ‘solid’ and functional to me, and the application process can be easily started online. I don’t know if the private lenders I have existing relationships with will be offering the PPP.
- If I am approved for the EIDL, I will put that money towards my “salary” and my office rent for the next 2 months. IE, I will pay my rent with it and take the rest as a “personal distribution” aka transfer it to my personal bank account.
- If I am approved for the PPP, I will accept that loan as well. The PPP loan kind of functions like a refinance. It will pay off the EIDL loan/grant so I only have 1 loan to deal with. It has a low interest rate and I’m likely to take whatever the full amount they offer me is, because I’m tending a little extra neurotic right now and want to make sure I have the ready cash to take care of my family. Then I’ll make sure to spend the PPP money on only “approved” things (payroll, mortgage interest, rent, utilities) so that the maximum amount can be forgiven.
- These loans have no prepayment penalties, and have a 6 month grace period before ANY payments are due.
- The attorney I spoke with said that he believes that if someone takes out both loans, the amount of the EIDL loan will be ‘tacked on’ to the amount of the PPP loan. This means that if you can borrow more than if you just did one loan. (Not everyone will want to borrow more, but if you were thinking about borrowing

money anyway, for whatever reason, recognize that this is a very favorable loan.)

- Payroll maxes out at 100,000. If you make more than that, your forgiven amount will be based as though your salary was 100K. I do not know which measure of our income is to be used (AGI? Gross? After expenses? No clue. If someone knows this answer for sure pretty please email me.)
- You “have to” use at least 75% of your loans for payroll in order to get them forgiven. (But this is no biggie for us! That just means we give the money to ourselves.)

### **EIDL Loan application info**

- The link to apply for the EIDL loan: <http://www.sba.gov/disaster>
- They say it takes over 2 hours but I think I did it in 10-15 minutes
- Make sure to check the box that says you DO want to be considered for the grant
- They don't send an email confirmation. (WTH!?!). Anyway, make sure to write down your confirmation number yourself.

### **PPP Loan application info**

- Start with any lenders you already have a relationship with. If you have an existing lending relationship with a local lender, that is DEFINITELY the place to start.
- One online option I heard of from another PP therapist: [www.lendio.com](http://www.lendio.com)
- Here's a list from the SBA of approved PPP lenders in the San Antonio area: [https://www.sba.gov/sites/default/files/resource\\_files/2020\\_Paycheck\\_Protection\\_Program\\_7a.pdf](https://www.sba.gov/sites/default/files/resource_files/2020_Paycheck_Protection_Program_7a.pdf)

### **Helpful articles/video:**

- Read the act yourself: <https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf>
- <https://www.texasmha.com/news/featured/paycheck-protection-program-new-sba-program-in-cares-act-response-to-covid-19>
- <https://www.omm.com/resources/alerts-and-publications/alerts/sbas-paycheck-protection-program-and-economic-injury-disaster-loan-program/>
- <https://www.forbes.com/sites/brianthompson1/2020/03/29/getting-cash-for-your-small-business-through-the-cares-act/#9b6441543a0a>
- [https://www.uschamber.com/sites/default/files/023595\\_comm\\_corona\\_virus\\_smallbiz\\_loan\\_final.pdf](https://www.uschamber.com/sites/default/files/023595_comm_corona_virus_smallbiz_loan_final.pdf)
- [https://www.youtube.com/watch?v=ca416bigfk&feature=youtu.be&fbclid=IwAR3igFfIBFY\\_ljPKVdMaQfLRhTY-CHbt5NMDBESgjseiqlxL1c\\_tivKZV-A](https://www.youtube.com/watch?v=ca416bigfk&feature=youtu.be&fbclid=IwAR3igFfIBFY_ljPKVdMaQfLRhTY-CHbt5NMDBESgjseiqlxL1c_tivKZV-A)
- Here is another person's google doc with tons of helpful info about financial needs/supports/info right now. [https://docs.google.com/document/d/1Nyj57tvflqRQVRx2Ak4W8p68B7V6fmfRZuLWpPqjNQs/preview?fbclid=IwAR0VKrNkC\\_VcY3R23D\\_6\\_Ms4\\_1yhmNjv5xCOgQuKEGvMA8VB30anfstr\\_o](https://docs.google.com/document/d/1Nyj57tvflqRQVRx2Ak4W8p68B7V6fmfRZuLWpPqjNQs/preview?fbclid=IwAR0VKrNkC_VcY3R23D_6_Ms4_1yhmNjv5xCOgQuKEGvMA8VB30anfstr_o)

And, completely stolen from that last link, here is a wonderful visual aid/reminder to spend 30 seconds taking care of your nervous system, since (a) we are all stressed, and (b) this kind of thing (loan applications!?!). aren't exactly something most of us find pleasant.