



## PPP Loan Definition of Payroll Costs – Independent Contractor Clarification

*A COVID-19 Update from Questco – April 27<sup>th</sup>, 2020*

### **PLEASE READ**

Questco received some additional information that we wish to share with our clients immediately regarding the treatment of independent contractor and sole proprietor compensation for purposes of calculating both the amount of Paycheck Protection Program (PPP) loan proceeds and the loan forgiveness amount. Based on further clarification, **amounts paid to an independent contractor or sole proprietor should be EXCLUDED from the borrower's payroll costs**. This exclusion applies to compensation paid for services performed as a 1099 payment. If the compensation is paid to the independent contractor as W-2 wages, this compensation will be included in total wages paid and can be used in the calculation of total payroll costs for purposes of qualifying for and requesting forgiveness of a PPP loan.

Previously Questco communicated that certain independent contractor and sole proprietor costs could be included as a qualifying payroll cost for the PPP loan. We apologize for any inconvenience or disruption this has caused you.

If you included independent contractor or sole proprietor fees in your calculation of total payroll costs for purposes of computing the original loan request, we do not believe that you will need to immediately return the proceeds received related to independent contractor fees. However, we do recommend that you communicate this to your lender in an effort to provide full disclosure. Please indicate that the incorrect treatment was made based on misinformation and was not an intentional error.

When tracking qualifying payroll costs during the 8-week covered period, you must **exclude** any amounts paid to independent contractors or sole proprietors. To the extent that your qualifying payroll costs and other qualifying operating expenses (not to exceed 25% of the total loan proceeds) are less than the full amount of the loan received, that excess will not be forgiven and you will be required to repay the remaining balance in accordance with the loan terms outlined in the CARES Act.

Again, we apologize for any difficulty this has caused you and your company. Please reach out to your Questco service representative with any questions. We are here to support you in any way we can.



<https://zoom.us/rec/play/v8F5cysqm43Hd2UsQSDUaV5W9TrL6OsgXBlrvoExRzhUnkCZ1KkNbsUZrdB1VwcpR1pf4arJizvSl8u>