



# NATIONAL CENTER ON Early Childhood Quality Assurance

## How Family Child Care Providers Can Take Advantage of the New SBA Loan and Grant Programs

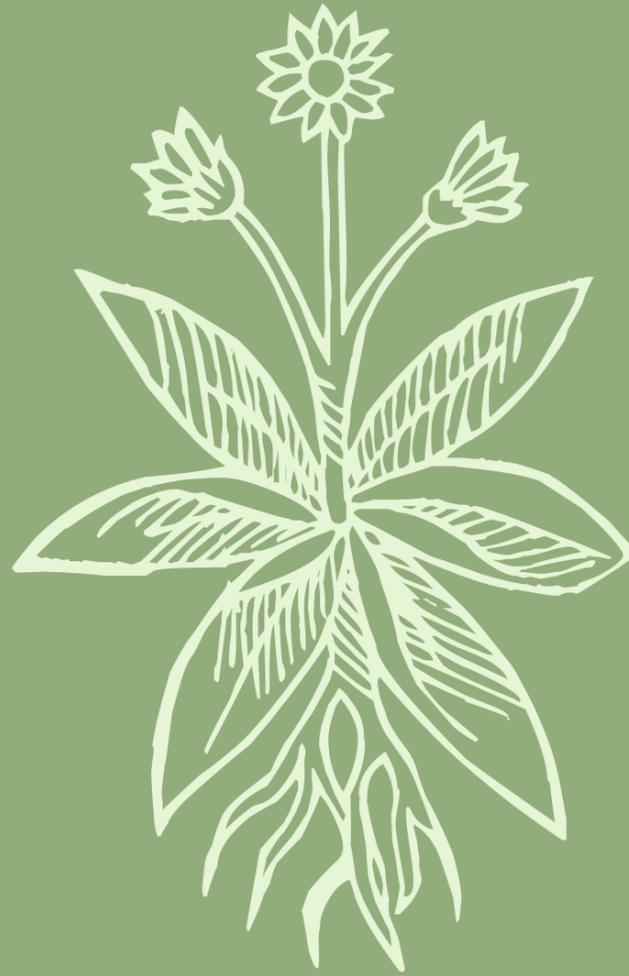
January 23, 2021

2:00 p.m. – 3:30 p.m. ET

# Welcome

**Ellen Wheatley,**  
Acting Director, Office of  
Child Care, Administration  
for Children and Families,  
U.S. Department of Health  
and Human Services





ALL OUR KIN

# How Family Child Care Providers Can Take Advantage of the PPP and EIDL Forgivable Loans

Presented by Tom Copeland, JD

Funding Provided by the Office of Child Care

In Partnership with the National Center on Early Childhood Quality Assurance

# Presenter: Tom Copeland

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- ▶ Author, trainer, family child care advocate since 1981
- ▶ No fee to answer your questions after today
- ▶ Email: [tomcopeland@live.com](mailto:tomcopeland@live.com)
- ▶ Website: [www.tomcopelandblog.com](http://www.tomcopelandblog.com)
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# Disclaimer

- I am not rendering legal, tax, or other professional advice. If you require this type of assistance, please consult a professional to represent you.
- The SBA may issue further guidance about the PPP program after this video was created. This may change some of what I am describing in this video.

# Webinar Recording

- This webinar is being recorded!
- A copy of this power point and the webinar recording will be posted on [www.tomcopelandblog.com](http://www.tomcopelandblog.com) and on the [ECTTAS webpage](#) containing resources about Small Business Administration loan and grant programs.

# Small Business Administration Loans

- The Small Business Administration (SBA) has created two loan programs:
  - Paycheck Protection Program (PPP)
    - First Draw
    - Second Draw
  - Economic Injury Disaster Loan (EIDL)
    - “Advance”
    - “Loan”



## **Paycheck Protection Program (PPP)**

# Apply for the PPP!

- I urge everyone to apply for the PPP!
- The money you get is not taxable income - you don't have to pay it back!
- You can apply even if you don't have employees
- You are eligible even if you received an EIDL advance or loan
- You must have been in business by February 15, 2020
- The deadline to apply is March 31, 2021

# What Can You Spend PPP Money On?

- Payroll costs – This means you can pay yourself
  - You can pay yourself by writing a check to yourself or transfer money from one bank account to another
- Mortgage and vehicle loan interest
- Rent
- Utilities
- Food
- Expenses to comply with the Centers for Disease Control or your state health department guidelines to deal with COVID-19

# How the PPP Works

- Apply for the PPP by filling out an application form from the SBA website or get one from your lender
- Submit the application form to your local bank or online lender such as PayPal, Biz2Credit, Kabbage, etc.
- After you are approved, the SBA will deposit money directly into your bank account
- You will have 8 to 24 weeks to spend the money
- Then apply for forgiveness through your lender so that you don't have to pay the money back

# First Draw vs. Second Draw

- You may be eligible to get money from either the First Draw or Second Draw
- If you didn't get a PPP loan in 2020, you are eligible to apply for the First Draw
  - You are also eligible if you got a PPP loan in 2020, didn't get forgiveness by December 27, 2020 and return some or all of the money, or didn't accept the full amount you were eligible for when you applied
- If you did get a PPP loan in 2020, you are not eligible for the First Draw
  - Instead, you may be eligible to apply for the Second Draw



**Paycheck Protection Program  
Borrower Application Form Revised January 8, 2021**

SBA Form 2483-0407  
Expiration Date: 05/01/2021

<b>Check One:</b> <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input checked="" type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(9) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name  <b>Mario Lopez</b>		NAICS Code  <b>624410</b>	Applicant (including affiliates, if applicable) meets size standard (check one): <input checked="" type="checkbox"/> No more than 500 employees or 500 employees, if applicable <input type="checkbox"/> SBA industry size standards <input type="checkbox"/> SBA alternative size standard
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)  <b>687 Portland St, Mpls, Mn 55123</b>		Business TIN (EIN, SSN)  <b>123456</b>	Business Phone  <b>612-1237263</b>
		Primary Contact  <b>Mario Lopez</b>	Email Address  <b>mlopez@yaho.com</b>
Average Monthly Payroll:  <b>\$ 3,000</b>	x 2.5 = EIDL (Do Not Include Any EIDL Advances) equals Loan Request Amount:  <b>\$ 7,500</b>	Number of Employees:  <b>1</b>	
Purpose of the loan (select all that apply):	<input checked="" type="checkbox"/> Payroll Costs	<input checked="" type="checkbox"/> Rent / Mortgage Interest	<input checked="" type="checkbox"/> Utilities
	<input type="checkbox"/> Covered Property Damage	<input checked="" type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures
			<input checked="" type="checkbox"/> General Operations Expenditures <input type="checkbox"/> Other (explain): _____

The First Draw – Application Form 2483 Page One Top

\$36,000 profit (net income)

# Schedule C, Line 31

**SCHEDULE C** Profit or Loss From Business (Sole Proprietorship)  
Form 1040 or 1040-SR  
OMB No. 1545-0047  
CME No. 1542-0074  
Attachment Sequence No. 09

Department of the Treasury  
Internal Revenue Service

Go to [www.irs.gov/ScheduleC](http://www.irs.gov/ScheduleC) for instructions and the latest information.  
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor: \_\_\_\_\_ Social security number (SSN): \_\_\_\_\_

**A** Principal business or profession, including product or service (see instructions) \_\_\_\_\_ **D** Enter code from instructions \_\_\_\_\_

**C** Business name, if no separate business name, leave blank \_\_\_\_\_ **D** Employer ID number (EIN) (see Form \_\_\_\_\_)

**E** Business address (including suite or rooming) \_\_\_\_\_  
City, town or post office, state, and ZIP code \_\_\_\_\_

**F** Accounting method: (1)  Cash (2)  Accrual (3)  Other periodic \_\_\_\_\_

**G** Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on losses \_\_\_\_\_ Yes  No

**H** If you started or acquired this business during 2018, check here \_\_\_\_\_

**I** Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) \_\_\_\_\_ Yes  No

**J** If "Yes," did you or will you file required Form(s) 1099? \_\_\_\_\_ Yes  No

**Part I Income**

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employees" box on that form was checked.	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 49)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	

**Part II Expenses. Enter expenses for business use of your home only on line 30.**

8	Advertising	8	Office expense (see instructions)	18
9	Car and truck expense (see instructions)	9	Pension and profit-sharing plans	19
10	Commissions and fees	10	Rent or lease (see instructions)	20
11	Contract labor (see instructions)	11	a Vehicles, machinery, and equipment	20a
12	Depreciation	12	b Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part II) (see instructions)	13	21 Repairs and maintenance	21
14	Employee benefit programs (other than line 19)	14	22 Supplies (not included in Part III)	22
15	Insurance (other than health)	15	23 Travel and licenses	23
16	Interest (see instructions)	16	24 Travel and meals	24
17	Legal and professional services	17	a Travel	24a
			b Depuctible meals (see instructions)	24b
			25 Utilities	25
			26 Wages (see employment credits)	26
			27a Other expenses (from line 48)	27a
			b Reserved for future use	27b
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28		28
29	Tentative profit or loss. Subtract line 28 from line 7	29		29
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of (a) your home; Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30. are (b) the part of your home used for business; _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30.	30		30
31	Net profit or loss. Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 9 (or Form 1040-NR, line 19) and on Schedule SE, line 2. If you checked the box on line 1, see instructions. Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 28.	31		31
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Schedule 1 (Form 1040 or 1040-SR), line 9 (or Form 1040-NR, line 19) and on Schedule SE, line 2. If you checked the box on line 1, see the line 31 instructions. Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	32		32

32a  All investment is at risk.  
32b  Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Oct. 19, 2018 Form 1040 or 1040-SR 2018

# How to Determine Your Average Monthly Payroll (Profit)

- Look at your 2019 or 2020 Schedule C, line 31. That is your annual profit (payroll)
- Divide your profit by 12 months to get your average monthly payroll
- Example:
  - Schedule C, line 31 = \$36,000
  - \$36,000 divided by 12 = \$3,000 average monthly payroll
- Note: if you had employees, you can add their wages (Schedule C, line 26) to your annual profit
  - Example: \$10,000 wages + \$36,000 = \$46,000 divided by 12 = \$3,833

# Should You Add Your EIDL Loan to Your Profit?

- If you got an EIDL loan in 2020, you have the opportunity to roll it over into a PPP loan
- Your EIDL loan is a 3.75% interest loan payable back in 30 years
- If you roll it over into a PPP loan, it will turn into a 1% loan payable back in 5 years
- If the loan is large, you may not be able to pay it back in 5 years

# How Much Will You Get?

- After you have calculated your average monthly payroll (profit), you will multiply it by 2.5. The result is how much you can get from PPP.
- \$3,000 average monthly payroll x 2.5 = \$7,500

Note: Count yourself as 1 employee. Don't count independent contractors. Do not count any helper whom you did not pay payroll taxes (such as unemployment, Social Security/Medicare).

# Forgiveness

- Once you get the PPP money, you have 24 weeks to spend it on the allowable expenses
- You must spend at least 60% on payroll. You can spend 60% on payroll for yourself, or up to 100% on payroll for yourself
- Once you have spent the money you will ask for forgiveness, so you won't have to pay the money back
- The forgiveness form is very simple. The SBA has not yet issued guidance on what it will look like
- Contact your lender about getting forgiveness

# Second Draw

- In general, if you received a PPP forgivable loan in 2020, you may be eligible for the Second Draw, not the First Draw



**Paycheck Protection Program  
Second Draw Borrower Application Form**

OMB Control No. 3245-0047  
Expiration Date: 03/31/2021

<b>Check One:</b> <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input checked="" type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(15) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name <b>Roberta Harris</b>		NAICS Code <b>624410</b>	
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed) <b>1976 Hudson Lane, WI 62154</b>		Business TIN (DIN, SSN) <b>987661111</b>	Business Phone <b>218-410-3279</b>
		Primary Contact <b>Roberta Harris</b>	Email Address <b>rharris@live.com</b>
Average Monthly Payroll: <b>\$ 4,000</b>	* 2.5 (or 3.5 for NAICS 72 applicants) equals Loan Request Amount (may not exceed \$2,000,000): <b>\$10,000</b>	Number of Employees (including affiliates, if applicable; may not exceed 500): <b>1</b>	
Purpose of the loan (select all that apply):	<input checked="" type="checkbox"/> Payroll Costs	<input checked="" type="checkbox"/> Rent / Mortgage Interest	<input checked="" type="checkbox"/> Utilities
	<input type="checkbox"/> Covered Property Damage	<input checked="" type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures
PPP First Draw SBA Loan Number:	<b>1234567</b>		
Reduction in Gross Receipts of at least 25% (Applicants for loans of \$150,000 or less may leave blank but must provide upon or before seeking loan forgiveness or upon SBA request):	2020 Quarter (e.g., 2Q 2020):	<b>3Q 2020</b>	Reference Quarter (e.g., 2Q 2019):
	Gross Receipts:	<b>\$ 10,000</b>	<b>\$ 14,000</b>

Second  
Draw Form  
2483-SD  
Page One  
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# Average Monthly Payroll

- Is calculated in the same way as the First Draw
- In our example:
  - \$48,000 Schedule C, line 31 profit divided by 12 months = \$4,000 average monthly payroll
  - The form doesn't allow you to add an EIDL loan you might have received
- $\$4,000 \times 2.5 = \$10,000$  amount you can receive from PPP

# 25% Reduction in Gross Income

- To be eligible for the Second Draw, you must show a reduction of at least 25% in your gross income from 2019 to 2020
- You can show this by comparing your annual gross income for each year, or you can show this by comparing any quarter from one year to the other

# What is Gross Income?

Gross income includes:

- All money from parents, subsidy program, Food Program reimbursements (but not for your own children), state grants
- It does not include federal or state unemployment benefits
- This should show up on Schedule C, line 7

# How to Meet the 25% Reduction Test

- Compare Schedule C, line 7 from 2019 to Schedule C, line 7 from 2020
- 2019:  $\$60,000 \times 75\% = \$45,000$
- That means your 2020 gross income must be less than \$45,000
  - 2020: \$40,000 – you are eligible!
  - 2020: \$50,000 – you are not eligible!

# Compare Quarter to Quarter

- You are eligible if your gross income in any quarter in 2020 is 25% less than the corresponding quarter in 2019
- Quarters: January-March, April-June, July-September, and October-December – These are not the same as federal tax quarters!
- Example:
  - Third quarter 2019: \$14,000 ( $\times 75\% = \$10,500$  limit for 2020)
  - Third quarter 2020: \$10,000 – you qualify
- A state grant may make you ineligible for the quarter you received it. But, you can pick whichever quarter will qualify you!

# Problems with Banks

- Some providers have had trouble getting the PPP forgivable loans from banks who are requiring that they have a separate business bank account (Wells Fargo, Bank of America)
- The SBA does not require this!
- Shop around for another bank or apply through one of the online lenders

# Questions?

- How will receiving a PPP forgivable loan affect me if I'm on unemployment or apply for unemployment?
- Can I apply if I'm full and haven't shown a loss of income in 2020?
- Can I apply if I'm temporarily closed?
- What happens if I don't spend all the money?
- If I'm not eligible for either PPP loan, where can I get financial help?



**Economic Injury  
Disaster Loan (EIDL)**

# Advance vs. Loan

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- There are two programs you may apply for
  - The “Advance”
  - The “Loan”

# Who is Eligible?

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- You may be eligible for either the advance or the loan if you did not receive one in 2020
- We don't know if you can apply for the advance or loan twice

# EIDL Advance

- To be eligible, you must be located in a low-income community and can show more than a 30% reduction in revenue (gross income) during an 8-week period beginning on March 2, 2020 or later
- Last year the EIDL advance was \$1,000 for yourself and \$1,000 for each employee
- The money was not taxable income
- The money could be spent on most any business expense

# EIDL Loan

- This is a 3.75% loan payable back in 30 years
- You can spend it on most any business expense, including payroll for yourself
- It is not taxable income
- You can pay it back faster than 30 years

# How to Apply for the EIDL?

- Apply directly through the SBA, not your local bank or online lender
- Go to [www.sba.gov](http://www.sba.gov)
- The online form is here for the loan only: <https://covid19relief.sba.gov/#/>
- I'll be writing a detailed article about how to fill out this application soon at [www.tomcopelandblog.com](http://www.tomcopelandblog.com)
- The SBA has not yet opened up applications for the advance

# Final Comments on the SBA Loans

- For more details on how to fill out the First and Second Draw application forms, see my articles at [www.tomcopelandblog.com](http://www.tomcopelandblog.com)
- I will be writing about forgiveness when the SBA issues further guidance
- Don't give up if you come up against barriers from a bank or you are having trouble filling out the application form. Apply through an online lender and seek outside help.
- The PPP is a great program because it's not taxable income! You won't have to pay it back!

# Employee Retention Credit

- If you hired employees (not independent contractors) you may be eligible for an Employee Retention Credit
- You might be able to get a 50% tax credit for up to \$10,000 of employee wages!
- You are eligible if you had to reduce your hours because of a government order or you had a significant decline in gross income (a drop of 50% compared to 2019)
- I'll be writing about this in a future article on my website
- Good article:  
<https://www.paychex.com/articles/compliance/employee-retention-credit>

# \$10 Billion for Child Care Assistance!

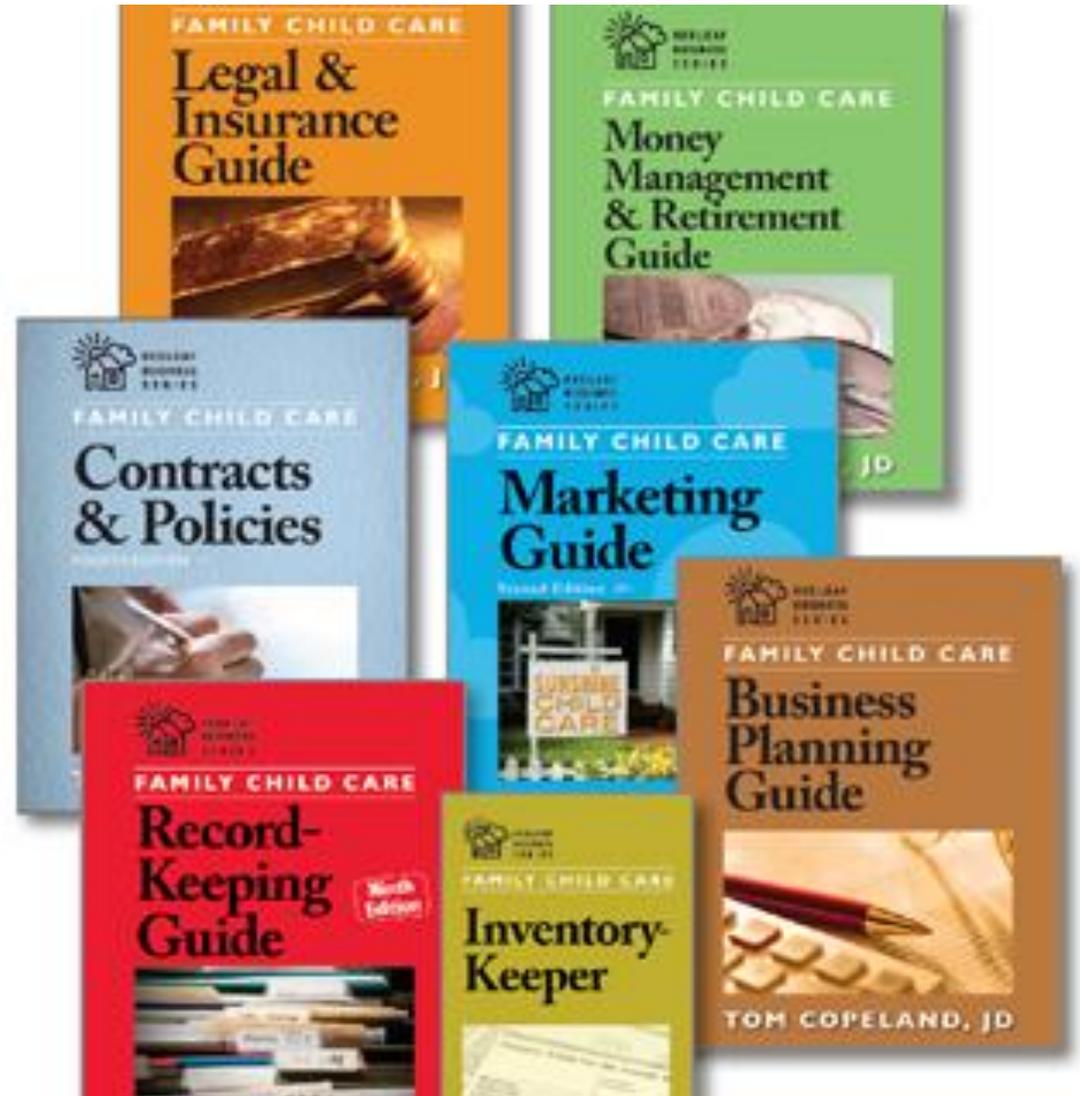
- Last December, Congress gave states \$10,000 billion for child care assistance
  - This is about 3x as much as they got last year
- Each state has a lot of leeway in how they can use the money: grants, equipment, training, etc.
- Contact your local child care resource and referral agency, union, organizations supporting family child care to give your voice on how you think this money should be spent!

# Contact Tom

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- Email: [tomcopeland@live.com](mailto:tomcopeland@live.com)
- Blog: [www.tomcopelandblog.com](http://www.tomcopelandblog.com)
- Facebook: [www.facebook.com/tomcopelandblog](http://www.facebook.com/tomcopelandblog)

Good Luck!



# Thanks!

- *This webinar was funded by the Child Care Communications Management Center, which is funded by the Office of Child Care (OCC), Administration for Children and Families (ACF), U.S. Department of Health and Human Services (HHS) and was developed in partnership with the National Center on Early Childhood Quality Assurance, which is funded by OCC, the Office of Head Start, ACF, HHS. This resource may be duplicated for noncommercial uses without permission.*



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[Early Care and Education Providers: Taking Advantage of the New  
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