



Family Child Care Home Provider Challenges with SBA Relief Assistance in the CARES Act

Under the CARES Act (P.L. 116-136), family child care home providers are self-employed. As sole proprietors, they are eligible to apply for support under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) and/or the Economic Injury Disaster Loan (EIDL) program (or advance grants up to \$10,000). However, while eligible to apply, SBA support is not working for family child care home providers on-the-ground as intended.

Within communities across the country, family child care home providers have reported inconsistencies with regard to the implementation of the following CARES Act text– *“an eligible self-employed individual, independent contractor, or sole proprietorship seeking a covered loan shall submit such documentation as is necessary to establish such individual as eligible, including payroll tax filings reported to the Internal Revenue Service, Forms 1099–MISC, and income and expenses from the sole proprietorship, as determined by the Administrator and the Secretary.”* The following list of issues represents challenges currently experienced by family child care home providers across states.

Business Accounts. Many banks (and credit unions) are requiring home-based child care providers to have a business account (rather than a personal account) in order to apply for PPP assistance or the EIDL program. Many home-based child care providers do not have a separate business account, however, they are open every week as a business to care for children.

Employer Identification Numbers. Some banks are requiring family child care providers to have an Employer Identification Number (EIN). While this is good practice, many family child care providers do not have an EIN.

Business Registration. Some banks are requiring family child care providers to be registered with their Secretary of State (or Secretary of Commerce) office (e.g., incorporating as a business such as an LLC). While some family child care providers may be registered in this manner, often, state child care agency licensing offices do not require it. Therefore, family child care providers who are licensed or registered under state child care regulatory requirements are following the rules, however, they are not incorporated or otherwise registered with their state commerce agency.

Payroll Proof. Some banks are requiring “payroll proof,” which is not possible if a family child care provider does not use a payroll company. A better way to document income for family child care providers is through the IRS Self-Employment Form ([Schedule SE](#)) used to calculate self-employment taxes. However, “payroll” proof is being inconsistently applied.

K1 or Schedule C Tax Forms. Some banks are requiring a K1 or Schedule C form, which many family child care providers do not use or file as they prepare their personal income taxes.

Online Bank Forms Not Revised for Self-Employed. Some bank online loan applications have not yet been revised to reflect applications from the self-employed.

Bank Limitations. Some banks are limiting applications to those who have existing accounts with them (and some- a smaller subset, to only those who have business accounts with them). In addition, bank loan caps related to SBA relief have created a bottleneck in the application process.

[A list of the top 100 SBA Lenders of PPP Applications](#) shows most lenders are not accepting applications or limiting applications to existing commercial customers as reported by Zenefits.

Proposed Solution: Congress should provide additional technical changes to the CARES Act to:

- clarify how SBA relief is to be provided as intended in the law, or
- provide additional instruction to the SBA to ensure guidance is implemented consistently for family child care home providers.