

PPP Loan Second Draw Application Calculation and Supporting Documentation

In order to accurately and efficiently process your PPP loan request we ask that you please complete the PPP loan application in its entirety (**all fields**), initial (**all fields**), sign, and provide **all documentation** outlined below.

If the application/package is incomplete, we will be unable to process in a timely manner.

ALL PPP Second Draw Loans are capped at a maximum amount of \$2,000,000.

Eligibility Requirements PPP Loan Second Draw

- Borrowers who previously received a First Draw PPP Loan are eligible to apply for a Second Draw PPP Loan.
- Borrowers have used, or will use, the full amount of their First Draw PPP Loan on authorized uses on or before the expected date on which the Second PPP Loan will be disbursed.
- Employs not more than 300 employees, unless business satisfies the alternative criteria for NAICS coding beginning with 72, and eligible news organizations with more than one physical location.
- Experienced a 25% reduction in gross receipts between comparable quarters in 2018 and 2020.
- Business was in operation on February 15, 2020 and has not permanently closed.

Payroll Cost Definitions

Payroll costs **include** compensation to employees (whose principal place of residence is the United States) in the form of:

- Salary, wages, commission, or similar compensation.
- Cash tips or equivalent (based on employer records of past tips or, in the absence of such records, a reasonable good-faith employer estimate of tips).
- Payment for vacation, parental, family, medical, or sick leave.
- Allowance for separation or dismissal.
- Payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums and retirement.
- Payment of state and local tax assessed on compensation of employees.
- For an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation.

General Requirements

General PPP Loan Calculation

The following methodology, which is one of the methodologies authorized by the Act, will be most helpful for many applicants.

1. Step 1: Aggregate payroll costs from 2019 or 2020 for employees whose principal place of residence is the United State.
2. Step 2: Subtract any compensation paid to an employee in excess of \$100,000 on an annualized basis, as prorated for the period which the payments are made or the obligation to make the payments is incurred.
3. Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
4. Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5 **or** multiply by 3.5 if you are a borrower in the Accommodation and Food Service sector (NAIC 72).

Self-employed who file a Form 1040 Schedule C

Self-employed PPP loan calculation with no employees

If you have **no employees**, the following methodology should be used to calculate your maximum loan amount.

For a borrower that has income from self-employment and does not have any employees, the maximum loan amount is the lesser of the product obtained by multiplying:

1. Step 1: The net profit or gross income of the borrower in 2019 or 2020, as reported on IRS Form 1040, Schedule C, that is not more than \$100,000, (If you are using 2020 to calculate payroll costs and have not yet file a 2020 return, **fill it out and compute the value**).
2. Step 2: Calculate the average monthly net or profit amount (divides the amount from Step 1 by 12).
3. Step 3: Multiply the average monthly net profit amount from Step 2 by 2.5 (**or**, only for a borrower assigned a NAICS code beginning with 72, Accommodation and Food Service sector, multiply step 2 by 3.5). This amount cannot exceed \$29,167 for NAICS code 72 borrowers and \$20,833 for all other borrowers.

Self-employed PPP loan calculation with employees

If you **have employees**, the following methodology should be used to calculate you maximum, loan amount is the lesser of the product obtained by multiplying:

1. Step 1: The sum of one of the following options, up to \$100,000; if this amount is less than zero, set this amount at zero (if you are using 2020 to calculate payroll costs and have not yet file a 2020 return, **fill it out and compute the value**).

- a) The borrower's net profit reported on IRS Form 1040, Schedule C, line 31 net income amount, for 2019 or 2020.
 - b) The borrower's gross profit reported on IRS Form 1040, Schedule C, line 7, minus lines 14, 19, and 26.
2. Step 2: Calculate the average monthly amount (divide the amount from Step 1 by 12).
 3. Step 3: Multiply the average monthly amount from Step 2 by 2.5 (**or**, only for a borrower assigned a NAICS code beginning with 72, Accommodation and Food Service sector, multiply step 2 by 3.5).

Seasonal Employers

A borrower is a seasonal employer if:

- The business does not operate for more than 7 months in any calendar year, or during a preceding calendar year.
- Had gross receipts for any 6 months of that year that were not more than 33.33% of the gross receipts for the other 6 months of that year.

Seasonal Employer PPP Loan Calculation

For seasonal employers, the following methodology should be used to calculate you maximum, loan amount:

1. Step 1: Gross payroll costs for any 12-week period selected by the seasonal employer beginning February 15, 2019 and ending February 15, 2020.
2. Step 2: Subtract any compensation paid to an employee in excess of \$100,000 on an annualized basis, as prorated for the period which the payments are made or the obligation to make the payments is incurred.
3. Calculate average monthly payroll costs and divide the amount from step 2 by 3.
4. Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.

Farmers and Ranchers who file a 1040 Schedule F

Farmers and Ranchers PPP loan calculation with no employees

If you have **no employees**, the following methodology should be used to calculate your maximum loan amount:

1. Step 1: Find your 2019 or 2020 IRS Form 1040 Schedule F line 9 gross income (if you are using 2020 and you have not filed a 2020 return, **fill it out and compute the value**), if this amount is over \$100,000 reduce it to \$100,000. If this amount is zero or less, you are not eligible for PPP loan.
2. Step 2: Divide the amount from Step 1 by 12.
3. Step 3: Multiply the average monthly gross income amount from Step 2 by 2.5.

Farmers and Ranchers PPP loan calculation with employees

If you **have employees**, the following methodology should be used to calculate your maximum loan amount:

1. Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding the following:
 - a) The difference between your 2019 or 2020 Form 1040 Schedule F line 9 gross income amount (if using 2020 and you have not yet filed a 2020 return, **file it out and compute the value**), and the sum of Schedule D lines 15, 22, 23, and 37 up to \$100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred. If this amount is over \$100,000 reduce it to \$100,000. If this amount is less than zero, set the amount to zero.
 - b) 2019 or 2020 gross wages and tips paid to your employees whose principal place of residence is in the United States using 2019 or 2020 IRS Form 941 Taxable Medicare wages and tips (line 5c-column 1) from each quarter plus any pre-tax employee contributions from health insurance or other fringe benefits excluded from the Taxable Medicare wages and tips. Subtract any amounts paid to any individual employee in excess of \$100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred and amount paid to any employee whose principal place of residence is outside the United States **AND**
 - c) 2019 or 2020 employer contributions from employee group health, life, disability, vision, and dental insurance (portion of IRS Form 1040 Schedule F line 15 attributable to those contributions), employer contributions for employee retirement contributions (Form 1040 Schedule F Line 15) and state and local taxes assessed on employer's compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from State and quarterly wage reporting form).
2. Step 2: Calculate the average monthly amount (divide the amount from Step 1 by 12).
3. Step 3: Multiply the average monthly amount from Step 2 by 2.5.

Partnership filing Form 1065

Partnership PPP Loan Calculation

The following methodology should be used to calculate the maximum amount that a partnership can borrow:

1. Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding:
 - a) Net earnings from self-employment of individual general partners in 2019 or 2020 as reported on the IRS Form 1065 K-1, reduced by section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by .09235, that is not more than \$100,000 per partner.
 - b) 2019 or 2020 gross wages and tips paid to you employees whose principal place of residence is in the United States, if any, which can be computed using 2019 or 2020 IRS For 941 Taxable Medicare wages and tips (line 5c-column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excludes from Taxable Medicare wages and tips, subtracting any amounts paid to any individual employee in excess of \$100,000 and any amounts paid to any employee whose principal place of residence is outside the United States.
 - c) 2019 or 2020 employer contributions for employee group health, life, disability, vision, and dental insurance, if any (portion of IRS Form 1065 line 19 attributable to those contributions).
 - d) 2019 or 2020 employer contributions to employee retirement plans, if any (IRS Form 1065 line 18) **AND**
 - e) 2019 or 2020 employer state and local taxes assessed on employee compensation primarily state unemployment insurance tax (from state quarterly wage reporting forms), if any.
2. Step 2: Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
3. Step 3: Multiply the average monthly payroll costs from Step 2 by 2.5 **or** multiply by 3.5 if you are a borrower in the Accommodation and Food Services sector (NAICS 72).

Accommodation and Food Services (NAICS Code 72)

Business tax returns include your business NAICS Code. NAICS Code beginning with 72 at the time of disbursement (that is not a season employer, new entity, self-employed, partnership)

should use the following methodology to calculate the maximum loan amount that can be borrowed:

1. Step 1: Aggregate payroll costs, as defined, from 2019 or 2020 for employees whose principal place of residence is the United State.
2. Step 2: Subtract any compensation paid to an employee in excess of \$100,000 on an annualized basis, as prorated for the period which the payments are made or the obligation to make the payments is incurred.
3. Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
4. Step 4: Multiply the average monthly payroll costs from Step 3 by 3.5.

New Entity

A New Entity is one that did not exist during the 1-year period preceding February 15, 2020 but was in operation on February 15, 2020. The following methodology should be used to calculate the maximum amount that a New Entity can borrow.

1. Step 1: Aggregate payroll costs paid or incurred since business start date through the date of PPP loan application.
2. Step 2: Calculate average monthly payroll costs by dividing the amount from Step 1 by number of months which in which the payroll costs were paid or incurred.
3. Multiply the average monthly payroll costs from Step 2 by 2.5

Documentation Requirements Second Draw PPP Loan

All Applicants must submit to the lender SBA Form 2483-D (PPP Second Draw Application) and the following documentation with your PPP loan application:

If the applicant is not self-employed

- Provide Form 941 for all quarter or Form 940 **AND**
- State quarterly wage unemployment insurance tax reporting form for each quarter in 2019 or 2020 (whichever year used to calculate loan amount)
- Evidence of any retirement and employee group health, life, disability, vision, and dental insurance contributions.
- A Partnership must also provide IRS Form 1065 K-1's.

If the applicant is self-employed and has employees

- 2019 or 2020 (whichever you used to calculate loan amount) Form 1040 Schedule C.
- Form 941 for all quarters or Form 940.

- State quarterly wage unemployment insurance tax reporting form for each quarter in 2019 or 2020 (whichever year used to calculate loan amount)
- Evidence of any retirement and employee group health, life, disability, vision, and dental insurance contributions.
- A payroll statement or similar documentation from the pay period that covered February 15, 2020, must be provided to establish you were in operation on February 15, 2020.

If the applicant is self-employed and does not have employees

- 2019 or 2020 (whichever you used to calculate loan amount) Form 1040 Schedule C.
- 2019 or 2020 (whichever you used to calculate loan amount) IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statements, or book of record that establishes you are self-employed.
 - If using 2020 to calculate loan amount, this is required regardless of whether you have filed a 2020 tax return with the IRS.
- You must also provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.

The information and guidance provided above is in accordance with the Economic Aid Act provided by the SBA to all financial institutions.