



Release Date: January 17, 2021
ACTION: Guidance FAQ
References: [Citation](#)

Paycheck Protection Program: How to Calculate Maximum Loan Amounts for First Draw PPP Loans and What Documentation to Provide—By Business Type

Overview

The SBA and Department of the Treasury provided guidance to assist businesses in calculating their payroll costs, as well as outline what relevant documentation is required to support each set of calculations, when determining the maximum amount of a First Draw PPP loan for each type of business.

The guidance describes payroll costs using calendar year 2019 as the reference period for payroll costs used to calculate loan amounts. Borrowers are permitted to use payroll costs from either calendar year 2019 or 2020 for their First Draw PPP loan amount calculation. Documentation, including IRS forms, must be supplied for the selected reference period.

BUSINESS TYPE	MAXIMUM LOAN AMOUNT CALCULATION	DOCUMENTATION
1. Self-Employed, No Employees¹	1. 2019 IRS Form 1040 Schedule C line 31 net profit amount ² : If greater than \$100,000, reduce to \$100,000. If zero or less, not eligible for PPP loan	2019 IRS Form 1040 Schedule C 2019 IRS Form 1099-MISC to show nonemployee compensation received (box 7)
	2. Calculate average monthly net profit amount (divide amount from Step 1 by 12).	IRS Form 1099-K Invoice, bank statement or book of record establishing self-employed in 2019
	3. Multiply average monthly net profit amount from Step 2 by 2.5.	2020 invoice, bank statement or book of record to show in operation on February 15, 2020
	4. Add outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance. Do not include amount of any EIDL advance.	
2. Self-Employed, Employees	1. Computer 2019 payroll costs by adding the following: 2019 IRS Form 1040 Schedule C line 31 net profit amount	2019 IRS Form 1040 Schedule C IRS Form 941 State quarterly wage unemployment insurance tax reporting form from

¹ Includes sole proprietorships and independent contractors and excludes partners in partnerships.

² All components of payroll costs must be from the same calendar year. Payroll costs, including for covered benefits, can only be included for employees whose principal place of residence is in the United States.



	<ul style="list-style-type: none"> • If over \$100,000, reduce to \$100,000 • If less than zero, set amount at zero; <p>2019 gross wages and tips paid to employees with principal place of residence in U.S. up to \$100,000 per employee, using:</p> <ul style="list-style-type: none"> • 2019 IRS Form 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 excluded from Taxable Medicare wages and tips; and • Minus (i) any amount paid to any individual employees in excess of \$100,000 and (ii) any amounts paid to any employee whose principal place of residence is outside the U.S.; <p>2019 employer contributions for employee group health, life, disability, vision, and dental insurance (portion of IRS Form 1040 Schedule C line 14 attributable to those contributions)</p> <p>2019 employer contributions to employee retirement plans (IRS Form 1040 Schedule C line 19); and</p> <p>2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms)</p>	<p>each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)</p> <p>Documentation of any retirement or group health, life, disability, vision, and dental contributions</p> <p>Payroll statement or similar documentation from the pay period that covered February 15, 2020 to establish in operation and had employees on that date.</p>
	<p>2. Calculate average monthly payroll costs amount (divide the amount from Step 1 by 12)</p>	
	<p>3. Multiply the average monthly payroll costs amount from Step 2 by 2.5</p>	
	<p>4. Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance (do not include any EIDL advance)</p>	



<p>3. Self-Employed Farmer or Rancher who reports net farm profit on IRS Form 1040 Schedule I and Schedule F</p>	<p>Use IRS Form 1040 Schedule F in lieu of Schedule C.</p>	
	<p>Calculation for self-employed farmers and ranchers without employees if the same as for Schedule C filers that have no employees, except Schedule F line 9 (gross income) should be used to determine the loan amount rather than Schedule C line 31 (net profit).</p>	<p>Documentation is the same for Schedule C filers except that 2019 IRS Form 1040 Schedule I and Schedule F must be included with the loan application in place of IRS Form 1040 Schedule C.</p>
	<p>Calculation for self-employed farmers and ranchers with employees is the same as for Schedule C filers that have employees with several exceptions</p> <ol style="list-style-type: none"> 1. In place of Schedule C line 31 (net profit), the difference between Schedule F line 9 (gross income) and the sum of Schedule F lines 15, 22 and 23 (for employee payroll) should be used. 2. Employer contributions for employee group health, life, disability, vision, and dental insurance (portion of Schedule F line 15 attributable to those contributions) and employer contributions for employee 	<p>Documentation is the same for Schedule C filers except that 2019 IRS Form 1040 Schedule I and Schedule F must be included with the loan application in place of IRS Form 1040 Schedule C.</p> <p>For farmers and ranchers with employees, IRS Form 943 should be provided in addition to, or in place of, IRS Form 941 as applicable.</p>



	retirement contributions (Schedule F line 23) should be used in place of those respective lines on Schedule C	
4. Partnerships	Partners' self-employment income should be included in the partnership's PPP Loan application. Individual partners may not apply for separate PPP Loans.	
	<p>1. Computer 2019 payroll costs by adding the following:</p> <p>2019 Schedule K-1 (IRS Form 1065) Net earnings from self-employment of individual U.S.-based general partners that are subject to self-employment tax, multiplied by 0.9235 up to \$100,000 per partner;</p> <ul style="list-style-type: none"> • Compute the net earnings from self-employment of individual U.S.-based general partner that are subject to self-employment tax from box 14a of IRS Form 1065 Schedule K-1 and subtract (i) any section 179 expense deduction claimed in box 12; (ii) any unreimbursed partnership expenses claimed; and (iii) any depletion claimed on oil and gas properties; If this amount is over \$100,000, reduce to \$100,000; If amount is less than zero, set this amount at zero; <p>2019 gross wages and tips paid to employees whose principal place of residence is in the U.S. (if any), up to \$100,000 per employee, compounded using:</p> <ul style="list-style-type: none"> • 2019 IRS Form 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 excluded from Taxable Medicare wages and tips; and • Minus any amounts paid to any individual employee in excess of \$100,000 and any 	<p>Partnership's 2019 IRS Form 1065 (including K-1s)</p> <p>If partnership has employees, other relevant supporting documentation, including 2019 IRS Form 941 and state quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements) along with records of any retirement or group health, life, disability, vision, and dental insurance contributions.</p> <p>If partnership has employees, a payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to show partnership was in operation and had employees on that date</p> <p>If partnership has no employees, an invoice, bank statement, or book of record establishing the partnership was in operation on February 15, 2020.</p>

	<p>amounts paid to any employee whose principal place of residence is outside the U.S.</p> <p>2019 employer contributions for employees (but not partner) group health, life, disability, vision, and dental insurance, if any (portion of IRS Form 1065 line 19 attributable to those contributions);</p> <p>2019 employer contributions to employee (but not partner) retirement plans, if any (IRS Form 1065 line 18); and</p> <p>2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms, if any)</p> <p>2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12)</p> <p>3. Multiply the average monthly payroll costs from Step 2 by 2.5</p> <p>4. Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance. Do not include any amount of an EIDL advance.</p>	
<p>5. Corporations (Including S-Corp and C-Corp)</p>	<p>1. Compute 2019 payroll costs by adding the following:</p> <p>2019 gross wages and tips paid to employees whose principal place of residence is in the U.S., up to \$100,000 per employee, computed using:</p> <ul style="list-style-type: none"> • 2019 IRS Form 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 excluded from Taxable Medicare wages and tips; • Minus (i) any amount paid to any individual employee in excess of \$100,000 	<p>2019 IRS Form 941</p> <p>State quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)</p> <p>File business tax return (IRS Form 1120 or IRS 1120-S) or other documentation of any retirement and group health, life, disability, vision and dental insurance contributions</p> <p>Payroll statement or similar documentation from the pay period</p>

	<p>and (ii) any amounts paid to any employee whose principal place of residence is outside the U.S.;</p> <p>2019 employer group health, life, disability, vision and dental insurance contributions (portion of IRS Form 1120 line 24, or IRS Form 1120-S line 18 attributable to those contributions);</p> <p>2019 employer retirement contributions (IRS Form 1120 line 23 or IRS Form 1120-S line 17); and</p> <p>2019 employer state and local taxes assessed on employee compensation primarily state unemployment insurance tax (from state quarterly wage reporting forms)</p>	<p>that covered February 15, 2020 to establish in operation and had employees.</p>
	<p>2. Calculate average monthly payroll costs (divide the amount of Step 1 by 12)</p>	
	<p>3. Multiply the average monthly payroll costs from Step 2 by 2.5.</p>	
	<p>4. Add any outstanding EIDL made between January 31, 2020 and April 3, 2020 to refinance. Do not include amount of any EIDL advance.</p>	
<p>6. Eligible Nonprofit Organizations</p>	<p>Eligible nonprofit religious institutions or other eligible nonprofits without IRS Form 990 (do not file IRS Form 990 or 990-EZ typically with gross receipts less than \$50,000), see next section below.</p> <p>1. Computer 2019 payroll costs by adding the following:</p> <p>2019 gross wages and tips paid to employees with principal place of residence in U.S. up to \$100,000 per employee, computed using:</p> <ul style="list-style-type: none"> • 2019 IRS Form 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 	<p>2019 IRS Form 941</p> <p>State quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)</p> <p>Filed IRS Form 990 Part IX or other documentation of any retirement and</p>

	<p>benefits excluded from Taxable Medicare wages and tips; and</p> <ul style="list-style-type: none"> • Minus (i) any amounts paid to any individual employee in excess of \$100,000, and (ii) any amounts paid to employee whose principal place of residence is outside the U.S.; <p>2019 employer group health, life, disability, vision and dental insurance contributions (portion of IRS Form 990 Part IX line 9 attributable to those contributions);</p> <p>2019 employer retirement contributions (IRS Form 990 Part IX line 8); and</p> <p>2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms)</p> <p>2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12)</p> <p>3. Multiply the average monthly payroll costs from Step 2 by 2.5</p> <p>4. Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance. Do not include any EIDL advance.</p>	<p>group health, life, disability, vision and dental insurance contributions</p> <p>Payroll statement or similar documentation from the pay period that covered February 15, 2020 to establish in operation and had employees on that date.</p> <p>Eligible nonprofits that file IRS Form 990-EZ should rely on that form.</p>
<p>7. Nonprofit Religious Institution, Veterans Organization, Tribal Businesses</p>	<p>1. Computer 2019 payroll costs by adding the following:</p> <p>2019 gross wages and tips paid to employees whose principal place of residence is in the United States, up to \$100,000 per employee, computed using:</p> <ul style="list-style-type: none"> • 2019 IRS Form 941 Taxable Medicare wages & tips (line 5ccolumn 1) from each quarter, • Plus any pre-tax employee contributions for health insurance or other fringe 	<p>2019 IRS Form 941 and state quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)</p> <p>Documentation of any retirement and group health, life, disability, vision, and dental insurance contributions</p>

	<p>benefits excluded from Taxable Medicare wages & tips, and</p> <ul style="list-style-type: none"> • Minus (i) any amounts paid to any individual employee in excess of \$100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the U.S.; <p>2019 employer group health, life, disability, vision, and dental insurance contributions;</p> <p>2019 employer retirement contributions; and</p> <p>2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).</p>	<p>A payroll statement or similar documentation from the pay period that covered February 15, 2020 to establish in operation and had employees on that date.</p>
	<p>2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).</p>	
	<p>3. Multiply the average monthly payroll costs from Step 2 by 2.5.</p>	
	<p>4. Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance. Do not include the amount of any EIDL advance.</p>	
<p>8. LLC</p>	<p>Use instructions that apply to their tax filing status in the reference period used to calculate payroll costs (2019 or 2020) as a sole proprietor, a partnership, or a corporation in the reference period.</p>	
<p>9. Corporation or Nonprofit in Operation on February 15, 2020 but not in Operation between February 15, 2019 and June 30, 2019</p>	<p>Borrower may choose one of two ways to calculate First Draw Loan Amount.</p>	
	<p>A. Follow the applicable instructions in Questions 5, 6, 7 and use payroll information for all of 2020 instead of 2019; or</p>	
	<p>B. Calculate their loan amount using their average monthly payroll costs incurred in January and February 2020</p>	<p>If B: Payroll records from January and February 2020</p>

	<p>If B, follow the following:</p> <ol style="list-style-type: none"> 1. Computer January and February 2020 payroll costs by adding: <ul style="list-style-type: none"> Gross pay to employees for those two months whose principal place of residence is in the United States, up to \$16,667 per employee; Employer group health, life, disability, vision, and dental insurance contributions for those two months; Employer retirement contributions for those two months; and Employer state and local taxes assessed on employee compensation for those two months, primarily state unemployment insurance tax. 2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 2). 3. Multiply the average monthly payroll costs from Step 2 by 2.5. 4. Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance. Do not include the amount of any EIDL advance. 	<p>IRS Form 941 for first quarter of 2020</p> <p>Documentation of any employer retirement and group health, life, disability, vision, and dental insurance contributions for that period.</p>
<p>10. Self-Employed or Partnership in Operation on February 15, 2020 but not in Operation between February 15, 2019 and June 30, 2019 with Form 1040 Schedule C or Schedule F, or Form 1065 for 2020</p>	<p>May choose one of two ways to calculate First Draw Loan Amount.</p> <p>Schedule F filers should use same methodology outlined before but complete a Schedule F in Step 1 and replace net profit from Step 2 with gross income amount on Schedule F line 9 (if no employees) or the difference between the gross profit amount on Schedule F line 9 and employee payroll costs from the sum of Schedule F lines 15, 22, and 23 (if have employees).</p> <p>Partnerships should use the same methodology outlined below but complete a Form 1065 in Step 1, and replace net profit from Step 2 with net earnings from self-employment for each individual U.S.-based general partners (difference between box 14a of IRS Form 1065 K-1 and the sum of (i) any section 179 expense deduction claimed in box 12; (ii) any unreimbursed partnership expenses claimed; and (iii) any depletion claimed on oil and gas properties) multiplied by 0.9235.</p>	

	<p>A. Follow the applicable instructions in 1 through 4 and use payroll information for all of 2020 instead of 2019; or</p>	<p>IRS Form 1040 Schedule C must be provided to lender when borrower applies for PPP loan</p>
	<p>B. Calculate loan amount using average monthly payroll costs incurred in January and February 2020.</p>	<p>Bank statements from business account(s) for the months of January and February 2020 to establish net profit amount from Schedule C, Schedule F or Form 1065 as applicable.</p>
	<p>If B:</p> <ol style="list-style-type: none"> Fill out an IRS Form 1040 Schedule C for January and February 2020. The entries on the schedule must reflect all business income and expenses from those two months, with the exception that on Schedule C line 13: Include only 1/6 of the amount of any annual depreciation and section 179 expense deduction attributable to investment made in those months, and Include 1/6 of the amount of the 2020 depreciation deduction attributable to investment made in prior years. 	<p>If have employees, provide payroll records from those two months, IRS Form 941 for first quarter of 2020 and documentation of any employer retirement and group health, life, disability, vision and dental insurance contributions made on behalf of employees</p>
	<ol style="list-style-type: none"> Take the net profit amount for January and February on Schedule C line 31. If this amount is more than \$16,667 for the two months combined, set it to \$16,667. If this amount is less than 0 for the two months combined, set it to 0. 	
	<ol style="list-style-type: none"> If you have employees, add your employee payroll costs for January and February 2020 to the result in Step 2. Only include payroll costs for those employees whose principal place of residence is in the United States and up to \$16,667 of gross pay per employee. 	
	<ol style="list-style-type: none"> Divide the total by 2, and then multiply it by 2.5. 	

	<p>5. Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 to refinance, less the amount of any EIDL advance</p>	
ADDITIONAL REQUIREMENTS		
Corporate Groups	<p>Businesses part of the same corporate group loan amounts are maxed at \$20 million. Businesses are part of a single corporate group if they are majority owned, directly or indirectly by a common parent.</p>	
Documentation For Substantiating Payroll Costs	<p>May provide IRS Form W-2s and IRS Form W-3 or payroll processor reports, including quarterly and annual tax reports, in lieu of IRS Form 941.</p> <p>Very small businesses that file an annual IRS Form 944 or agricultural employers that file an annual IRS Form 943 should rely on and provide IRS Form 944 or IRS Form 943 in lieu of IRS Form 941.</p> <p>An applicant may provide records from a retirement administrator to document employer retirement contributions.</p> <p>An applicant may also provide records from a health insurance company or third-party administrator for a self-insured plan to document employer health insurance contributions.</p>	
Pre-Tax Employee Contributions for Fringe Benefits Examples	<p>In addition to pre-tax employee contributions for health insurance, employee contributions and deductions from pay for flexible spending arrangements (FSA) or other nontaxable benefits under a section 125 cafeteria plan, qualified transit or parking benefits (up to \$270 a month), and group life insurance (for up to \$50,000 of coverage) may have been excluded from IRS Form 941 Taxable Medicare wages & tips.</p> <p>Pre-tax employee contributions to retirement plans are included in Taxable Medicare wages & tips and should not be added to that figure to arrive at gross pay.</p>	
Federal Taxes	<p>Payroll costs are calculated on a gross basis without regard to federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer. However, payroll costs do not include the employer's share of payroll tax. For example, the wages of an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, count as \$4,000 in payroll costs. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute.³</p>	

³ The definition of "payroll costs" in the CARES Act, 15 U.S.C. 636(a)(36)(A)(viii), excludes "taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period". As described above, the SBA interprets this statutory exclusion to mean that payroll costs are calculated on a

gross basis, without subtracting federal taxes that are imposed on the employee or withheld from employee wages. Unlike employer-side payroll taxes, such employee-side taxes are ordinarily expressed as a reduction in employee take-home pay; their exclusion from the definition of payroll costs means payroll costs should not be reduced based on taxes imposed on the employee or withheld from employee wages. This interpretation is consistent with the text of the statute and advances the legislative purpose of ensuring workers remain paid and employed. Further, because the reference period for determining a borrower's maximum loan amount will largely or entirely precede the period during which borrowers will be subject to the restrictions on allowable uses of the loans, for purposes of the determination of allowable uses of loans and the amount of loan forgiveness, this statutory exclusion will apply with respect to such taxes imposed or withheld at any time, not only during such period.

