

## HOW TO CALCULATE THE MAXIMUM LOAN AMOUNT

### FOR SECOND DRAW PPP BORROWERS (SBA APPLICATION #2483-SD)

(Information below is provided in more detail in Docket No. [SBA-2021-0002](#))

**FOR MOST BUSINESS APPLICANTS:** (See below for self-employed applicants, partnerships and seasonal businesses)

- **STEP 1:** Aggregate payroll costs (further defined in detail below) from 2019 or 2020 employees whose principal place of residence is the United States
- **STEP 2:** Subtract any compensation paid to an 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.
- **STEP 3:** Calculate average monthly payroll costs: (Divide the sum of Step 1 & Step 2 by 12)
- **STEP 4:** Multiply the average monthly payroll costs from Step 3 by 2.5 (or 3.5 for NAICS 72 applicants)

**INCOME FROM SELF-EMPLOYMENT, FILE FORM 1040 SCHEDULE C AND HAVE NO EMPLOYEES:**

- **STEP 1:** Use 2019 or 2020 IRS FORM 1040 Schedule C line 31 net profit amount (if you are using 2020 to calculate payroll costs and have not yet filed a 2020 return, fill it out and compute the value). If the amount is over \$100,000 reduce it to \$100,000.
- **STEP 2:** Calculate average monthly net profit amount: (divide the amount from Step 1 by 12)
- **STEP 3:** Multiply the average monthly net profit amount from Step 2 by 2.5 (or 3.5 for NAICS 72 applicants)

**SELF-EMPLOYED, FILE FORM 1040 SCHEDULE C, WITH EMPLOYEES:**

- **STEP 1:** Compute 2019 or 2020 payroll (using the same year for all items) by computing the following:
  - a) The sum of the net profit of the borrower in 2019 or 2020 (borrower's election) as reported on IRS Form 1040 Schedule C, that is not more than \$100,000 divided by 12; and
  - b) The average monthly payment for employee payroll costs incurred or paid by the borrower during the same year elected
- **STEP 2:** Multiply the average monthly amount from Step 1 by 2.5 (or 3.5 for NAICS 72 applicants)

**PARTNERSHIPS:**

- **STEP 1:** Compute 2019 or 2020 payroll (using the same year for all items) by computing the following:
  - a) The sum of net earnings from self-employment of individual general partners in 2019 or 2020 as reported on 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 .9235, that is not more than \$100,000 per partner; and
  - b) The average total monthly payment for employee payroll costs incurred or paid by the borrower during the same year elected by the borrower
- **STEP 2:** Multiply the average monthly amount from Step 1 by 2.5 (or 3.5 for NAICS 72 applicants)

**SEASONAL EMPLOYERS:**

As defined by section of 315 of the Economic Aid Act, a borrower is a seasonal employer if it does not operate for more than 7 months in any calendar year or, during the preceding calendar year, it 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. Under section 336 of the Economic Aid Act, a seasonal employer must determine its maximum loan amount for purposes of the PPP by:

- Using the employer's average total monthly payments for payroll for any 12-week period selected by the seasonal employer beginning February 15, 2019 and ending February 15, 2020.

**WHAT QUALIFIES AS "PAYROLL COSTS?":**

- Compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation;
- Cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payment for provision of employee benefits consisting of group health care or group life, disability, vision or dental insurance, including insurance premiums, and retirement; and
- Payment of state and local taxes assessed on compensation of employees;
- For independent contractor or sole proprietor – wages, commissions, income or net earnings from self-employment or similar compensation

**WHAT IS EXCLUDED FROM "PAYROLL COSTS"?**

- Any compensation of an employee whose principal place of residence is outside of the U.S.;
- The compensation of an 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;
- Federal employment taxes imposed or withheld during the applicable period, including the employee's and employer's share of FICA and Railroad Retirement Act taxes, and income taxes to be withheld from employees; and
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)

**For First Draw PPP Loan calculations, please see Docket No. [SBA 2021-0001](#)**

**NOTE: This document is provided for reference only; if there are any inconsistencies between the guidance given and the Interim Final Rule (IFR) as provided by the SBA, the IFR takes precedence.**