

# How to Calculate Loan Amount – By Entity Type

## SBA CARES

### Paycheck Protection Program (PPP) Round 2 Application

*Please select your entity type from the list below for details on how to calculate your loan amount based on your business entity type for your SBA PPP loan application in Round 2.*

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Entity Type	Sole Proprietor (no employees) Single Member LLC (no employees)	Independent Contractor Individual
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Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.

**If you were in operation prior to June 30, 2019:**

1. Find your 2019 IRS Form 1040 Schedule C (for business that started prior to June 30, 2019)
2. Locate the net profit amount shown on line 31.
3. If the amount is over \$100,000, reduce it to \$100,00 to calculate your PPP loan amount. If the amount is zero or less, you are not eligible for a PPP loan.
4. Calculate the average monthly net profit amount by dividing your net profit amount from Step 3 by 12.
5. Multiply the net profit amount from Step 4 by 2.5 **OR multiply by 3.5 for NAICS codes beginning with 72.**

**Required Forms: (must all be from the same year unless specified)**

- 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- IRS Form 1040 Schedule C
- IRS Form 1099-MISC detailing nonemployee compensation received (box 7) or a bank statement from 2019 showing you were in business
- Bank statement from February 2020 establishing the business was in operation on February 15, 2020

**If you were NOT in operation prior to June 30, 2019:**

1. Fill out an IRS Form 1040 Schedule C for January and February 2020 to include 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 170 expense deduction attributable to investment made in those months, and
  - Include 1/6 of the amount of the 2020 depreciation deduction attributable to invest made in prior years.
2. Take the net profit amount from Schedule C line 31. If the amount is more than \$16,667, reduce it to \$16,667.
3. Divide the total from Step 2 by 2, and then multiply by 2.5 **OR multiply by 3.5 for NAICS codes beginning with 72.**

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- [2020 Schedule C](#)
- Bank statement from January and February 2020 establishing the business was in operation on February 15, 2020

**Entity Type**

**Sole Proprietor with W-2 Employees  
Single Member LLC with W-2 Employees**

**Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.**

1. Compute your 2019 payroll costs by adding the following:
  - 2019 IRS Form 1040 Schedule C line 31 net profit amount; if this amount is over \$100,000, reduce it to \$100,000; and if this amount is less than zero, set this amount at zero;
  - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to \$100,000 per employee, which can be computed using:
    - 2019 IRS Form 941 Taxable Medicare wages & 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 & tips,
    - 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 United States;
  - 2019 employer contributions for employee group health, life, disability, vision, and dental insurance (the portion of IRS Form 1040 Schedule C line 14 attributable to those contributions);
  - 2019 employer contributions to employee retirement plans (IRS Form 1040 Schedule C line 19); and
  - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).
2. Calculate average monthly payroll costs amount by dividing the amount from Step 1 by 12.
3. Multiply the average monthly payroll costs amount from Step 2 by 2.5 **OR multiply by 3.5 for NAICS codes beginning with 72.**

\*\*The maximum amount of a Second Draw PPP Loan to a borrower is \$2,000,000\*\*

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- IRS Form 1040 Schedule C
- 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7) or a bank statement from 2019 showing you were in business
- IRS Payroll tax reports (941, 944, or W3) OR a recognized 3rd party payroll report
- State quarterly wage unemployment forms OR recognized 3rd party payroll report.
- Documentation showing amounts paid to employees in excess of \$100,000
- Documentation showing retirement or health, life, disability, vision and dental insurance contributions paid by the Employer if not properly documented on the Schedule C
- Payroll or bank statement covering Feb 15, 2020 to establish they were in operation and had employees

**Entity Type**

**Farming**

**Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.**

1. Compute your 2019 payroll costs by adding the following:
  - 2019 IRS Form 1040 Schedule F line 9 gross farm profit amount; if this amount is over \$100,000, reduce it to \$100,000; and if this amount is less than zero, set this amount at zero; and if you have employees:
    - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, which can be computed using 2019 IRS Form 941 Taxable Medicare wages & 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 & tips, subtracting any amount 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 U.S;
    - 2019 employer contributions for employee group health, life, disability, vision, and dental insurance (the portion of IRS Form 1040 Schedule F line 15 attributable to those contributions);
    - 2019 employer contributions to employee retirement plans (IRS Form 1040 Schedule F line 23); and
    - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).
2. Calculate average monthly payroll costs amount by dividing the amount from Step 1 by 12.
3. Multiply the average monthly payroll costs amount from Step 2 by 2.5.

**\*\*The maximum amount of a Second Draw PPP Loan to a borrower is \$2,000,000\*\***

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)

- IRS Form 1040 Schedule F

**The below are only required if they have W2 employees**

- IRS Payroll tax reports (941, 944, or W3) OR a recognized 3rd party payroll report
- State quarterly wage unemployment forms OR recognized 3rd party payroll report.
- Documentation showing amounts paid to employees in excess of \$100,000
- Documentation showing retirement or health, life, disability, vision and dental insurance contributions paid by the Employer if not properly documented on the Schedule F
- Payroll or bank statement covering Feb 15, 2020 to establish they were in operation and had employees

Entity Type	Partnerships	LLC filing as Partnership
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Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.

1. Compute your 2019 payroll costs by adding the following:
  - 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;
  - 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 for a partner, reduce it to \$100,000;
    - if this amount is less than zero for a partner, set this amount at zero;
  - 2019 gross wages and tips paid to employees whose principal place of residence is in the United States (if any), up to \$100,000 per employee, which can be computed using:
    - 2019 IRS Form 941 Taxable Medicare wages & 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 & tips, (portion of IRS Form 1065 line 19 attributable to those contributions);
    - 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 United States;
  - 2019 employer contributions for employee (but not partner) group health, life, disability, vision, and dental
  - 2019 employer contributions to employee (but not partner) retirement plans, if any (IRS Form 1065 line 18); and
  - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms), if any.
2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
3. Multiply the average monthly payroll costs from Step 2 by 2.5 **OR multiply by 3.5 for NAICS codes beginning with 72.**

\*\*The maximum amount of a Second Draw PPP Loan to a borrower is \$2,000,000\*\*

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- 1065 Tax return and all Schedule K-1's
- If the partnership has no employees, a bank statement establishing the partnership was in operation on February 15, 2020

**The items below are only required if you have W2 employees:**

- IRS Payroll tax reports (941, 944, or W3) OR a recognized 3rd party payroll report
- State quarterly wage unemployment forms OR recognized 3rd party payroll report.
- Documentation showing amounts paid to employees in excess of \$100,000
- Documentation showing retirement or health, life, disability, vision and dental insurance contributions paid by the Employer if not properly documented on the 1065
- Payroll or bank statement covering Feb 15, 2020 to establish they were in operation and had employees

Entity Type	S Corporations C Corporations	LLC filing as a Corporation
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Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.

1. Compute your 2019 payroll costs by adding the following:
  - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to \$100,000 per employee, which can be computed using:
    - 2019 IRS Form 941 Taxable Medicare wages & 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 & tips,
    - 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 United States;
  - 2019 employer contributions for employee group health, life, disability, vision, and dental insurance (portion of IRS Form 1120 line 24 or IRS Form 1120-S line 18 attributable to those contributions);
  - 2019 employer retirement contributions (IRS Form 1120 line 23 or IRS Form 1120-S line 17); and
  - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).
2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
3. Multiply the average monthly payroll costs from Step 2 by 2.5 **OR multiply by 3.5 for NAICS codes beginning with 72.**

\*\*The maximum amount of a Second Draw PPP Loan to a borrower is \$2,000,000\*\*

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- IRS Payroll tax reports (941, 944, or W3) OR a recognized 3rd party payroll report
- State quarterly wage unemployment forms OR recognized 3rd party payroll report.
- Documentation showing amounts paid to employees in excess of \$100,000
- Payroll or bank statement covering Feb 15, 2020 to establish they were in operation and had employees
- Documentation showing retirement or health, life, disability, vision and dental insurance contributions paid by the Employer if not properly documented on the 1120 (optional if you are NOT including benefits in your loan calculation)
- Documentation showing “pre-tax employee contributions” for health insurance excluded from Taxable Medicare Wages (optional)

**Entity Type**

**Non-Profit Organization 501(c) (3) or 501(c) (6) Only**

**Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.**

1. Compute your 2019 payroll costs by adding the following:
  - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to \$100,000 per employee, which can be computed using:
    - 2019 IRS Form 941 Taxable Medicare wages & 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 & tips,
    - 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 United States;
  - 2019 employer group health, life, disability, vision, and dental insurance contributions (portion of IRS Form 990 Part IX line 9 attributable to those contributions);
  - 2019 employer retirement contributions (IRS Form 990 Part IX line 8); and
  - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).
2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
3. Multiply the average monthly payroll costs from Step 2 by 2.5.

**\*\*The maximum amount of a Second Draw PPP Loan to a borrower is \$2,000,000\*\***

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- IRS Payroll tax reports (941, 944, or W3) OR a recognized 3rd party payroll report
- State quarterly wage unemployment forms OR recognized 3rd party payroll report.
- Documentation showing amounts paid to employees in excess of \$100,000
- IRS Form 990 Part IX or documentation retirement or health, life, disability, vision and dental insurance contributions paid by the Employer if not properly documented on the 990 Part IX (optional if you are NOT including benefits in your loan calculation)
- Payroll or bank statement covering Feb 15, 2020 to establish they were in operation and had employees



**Entity Type**

**Non-Profit Organization – Religious Institutions, 501(c) (19) Veterans Organizations and Tribal Businesses**

**Note: Borrower may use 2020 documents in lieu of 2019 only if ALL documents are from 2020.**

1. Compute your 2019 payroll costs by adding the following:
  - 2019 gross wages and tips paid to employees whose principal place of residence is in the United States, up to \$100,000 per employee, which can be computed using:
    - 2019 IRS Form 941 Taxable Medicare wages & 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 & tips,
    - 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.;
  - 2019 employer contributions for employee group health, life, disability, vision, and dental insurance;
  - 2019 employer retirement contributions and
  - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).
2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
3. Multiply the average monthly payroll costs from Step 2 by 2.5.

**\*\*The maximum amount of a Second Draw PPP Loan to a borrower is \$2,000,000\*\***

**Required Forms: (must all be from the same year unless specified)**

- Signed and dated 2019 and 2020 Profit & Loss (P&L) OR 3-monthly bank statements showing revenue decrease of 25% or more in 2020 relative to the gross receipts of the corresponding quarter in 2019 (for loans under \$150,000 this is optional at time of application but will be required for forgiveness.)
- IRS Payroll tax reports (941, 944, or W3) OR a recognized 3rd party payroll report
- State quarterly wage unemployment forms OR recognized 3rd party payroll report.
- Documentation showing amounts paid to employees in excess of \$100,000
- Documentation showing retirement or health, life, disability, vision and dental insurance contributions paid by the Employer (optional if you are NOT including benefits in your loan calculation)
- Payroll or bank statement covering Feb 15, 2020 to establish they were in operation and had employees



## Revenue Reduction – Gross Receipts

### 1. What should I include in “gross receipts?”

- For a for-profit business, gross receipts generally are all revenue in whatever form received or accrued (in accordance with the entity’s accounting method, i.e., accrual or cash) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances but excluding net capital gains and losses. These terms carry the definitions used and reported on IRS tax return forms.
- Gross receipts do not include the following:
  - taxes collected for and remitted to a taxing authority if included in gross or total income, such as sales or other taxes collected from customers (this does not include taxes levied on the concern or its employees);
  - proceeds from transactions between a concern and its domestic or foreign affiliates; and
  - amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker. All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer’s request, investment income, and employee-based costs such as payroll taxes, may not be excluded from gross receipts.
- For a nonprofit 501(c)(3) organization, a 501(c)(19) veterans organization, an eligible nonprofit news organization, an eligible 501(c)(6) organization, or an eligible destination marketing organization, gross receipts means gross receipts within the 1 This document does not carry the force and effect of law independent of the statutes and regulations on which it is based. As of January 19, 2021 meaning of section 6033 of the Internal Revenue Code of 1986, which is the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses including, for example, cost of goods or assets sold, cost of operations, or expenses of earning, raising, or collecting such amounts. Thus “gross receipts” includes, but is not limited to: (i) the gross amount received as contributions, gifts, grants, and similar amounts without reduction for the expenses of raising and collecting such amounts, (ii) the gross amount received as dues or assessments from members or affiliated organizations without reduction for expenses attributable to the receipt of such amounts, (iii) gross sales or receipts from business activities (including business activities unrelated to the purpose for which the organization qualifies for exemption, the net income or loss from which may be required to be reported on Form 990-T), (iv) the gross amount received from the sale of assets without reduction for cost or other basis and expenses of sale, and (v) the gross amount received as investment income, such as interest, dividends, rents, and royalties
- For ALL entity types (for-profit and not-for-profit) gross receipts do not include any forgiven First Draw PPP Loan or any EIDL advance.

## Revenue Reduction – Reference Periods

1. What reference periods can be used to determine whether the Applicant can demonstrate at least a 25 percent gross receipts reduction in order to qualify for a Second Draw PPP loan?

The appropriate reference periods depend on how long the Applicant has been in business:

- For all Applicants, except those satisfying the conditions set forth below, the Applicant must demonstrate that gross receipts in any calendar quarter of 2020 were at least 25 percent lower than the same quarter of 2019. Alternatively, Applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019 if they were in business in 2019.
- For entities not in business during the first and second quarters of 2019 but in operation during the third and fourth quarters of 2019, Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25 percent lower than during either the third or fourth quarters of 2019.
- For entities not in business during the first, second, and third quarters of 2019 but in operation during the fourth quarter of 2019, Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25 percent lower than the fourth quarter of 2019.
- For entities not in business during 2019 but in operation on February 15, 2020, Applicants must demonstrate that gross receipts in the second, third, or fourth quarter of 2020 were at least 25 percent lower than the first quarter of 2020.

## Revenue Reduction – Documentation

1. What documents do I need to provide to corroborate my entity sustained a 25% or greater reduction in gross receipts?
  - Quarterly financial statements for the entity. If the financial statements are not audited, the Applicant must sign and date the first page of the financial statement and initial all other pages, attesting to their accuracy. If the financial statements do not specifically identify the line item(s) that constitute gross receipts, the Applicant must annotate which line item(s) constitute gross receipts.
  - Quarterly or monthly bank statements for the entity showing deposits from the relevant quarters. The Applicant must annotate, if it is not clear, which deposits listed on the bank statement constitute gross receipts (e.g., payments for purchases of goods and services) and which do not (e.g., capital infusions).
  - Annual IRS income tax filings of the entity (required if using an annual reference period). If the entity has not yet filed a tax return for 2020, the Applicant must fill out the return forms, compute the relevant gross receipts value (see Question 5), and sign and date the return, attesting that the values that enter into the gross receipts computation are the same values that will be filed on the entity's tax return.
  
2. If I use my entity's annual income tax returns to demonstrate a gross receipts reduction of at least 25 percent, what amounts do I use to calculate gross receipts?
 

The amounts required to compute gross receipts varies by the entity tax return type:

  - For self-employed individuals other than farmers and ranchers (IRS Form 1040 Schedule C): sum of line 4 and line 75
  - For self-employed farmers and ranchers (IRS Form 1040 Schedule F): sum of lines 1b and 9
  - For partnerships (IRS Form 1065): sum of lines 2 and 8, minus line 6
  - For S-Corporations (IRS Form 1120-S): sum of lines 2 and 6, minus line 4
  - For C-Corporations (IRS Form 1120): sum of lines 2 and 11, minus the sum of lines 8 and 9
  - For nonprofit organizations (IRS Form 990): the sum of lines 6b(i), 6b(ii), 7b(i), 7b(ii), 8b, 9b, 10b, and 12 (column (A)) of Part VIII
  - For nonprofit organizations (IRS Form 990-EZ): sum of lines 5b, 6c, 7b, and 9 of Part I.
  - LLCs should follow the instructions that apply to their tax filing status in the reference periods.
  
3. When do I need to provide the documentation to substantiate the reduction in gross receipts?
 

For a Second Draw PPP Loan amount greater than \$150,000, the applicant must provide documentation substantiating the reduction in gross receipts with its Second Draw Borrower Application and the documentation must support the amounts provided in the application. For a Second Draw PPP Loan amount of \$150,000 or less, the borrower must provide documentation substantiating the reduction in gross receipts before or at the time the borrower seeks loan forgiveness (or upon SBA request). The documentation must clearly identify both of the reference quarters (if not using annual comparison), must contain the gross receipts amounts for both quarters, and support the amounts provided.
  
4. Can I document my reduction in gross receipts with income tax returns if my entity files taxes on the basis of a fiscal year that differs from the calendar year?
 

Entities that use a fiscal year to file taxes may document a reduction in gross receipts with income tax returns only if their fiscal year contains all of the second, third, and fourth quarters of the calendar year.