



# **Paycheck Protection Program**

## **Revisions to Loan Amount Calculation and Eligibility**

### **First and Second Draw PPP Loans**

# Paycheck Protection Program (PPP)

## *Before We Get Started...*

**Recording:** The webinar is not being recorded

**Questions:** Submit your questions in the Q&A panel – we will not answer today but will use your questions to inform future FAQs

**Closed Captions:** Turn on captions/subtitles in the video controls from the menu at the bottom of your screen

**Sound:** Sound issues are generally user broadband issues – If you lose sound or experience echoing:

- Exit the event and re-enter
- Hit F5 to refresh screen/click your mouse key anywhere
- Use Microsoft Edge or Google Chrome

**Help:** Microsoft website with Microsoft Live audience help tips:

- [Help on attending a live event in Teams - Office Support \(microsoft.com\)](https://support.microsoft.com/en-us/help/9102e34f-87d1-4911-b960-94796b9d172e/help-on-attending-a-live-event-in-teams); or
- Do an internet search for “Attend a Live event in teams”; Choose the link that begins with <https://www.support.microsoft.com>

# Paycheck Protection Program (PPP)

## *Reporting Number of Employees*

Each of the new Borrower Applications provide instructions on counting number of employees:

- Average employment over the time period used to calculate aggregate payroll costs
- Average number of employees per pay period in the 12 completed calendar months prior to the date of loan application
- “Per location” added to the applications for clarification on NAICS 72 and news organizations

### First Draw Application

<b>Applicant (including affiliates, if applicable) Meets Size Standard (check one):</b>
<input type="checkbox"/> No more than 500 employees (or 300 employees, if applicable) unless “per location” exception applies
<input type="checkbox"/> SBA industry size standards
<input type="checkbox"/> SBA alternative size standard

### Second Draw Application

<b>Number of Employees (including affiliates, if applicable; may not exceed 300 unless “per location” exception applies):</b>
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# Paycheck Protection Program (PPP)

## *Exclusivity Period for Applications*

- **Wed., Feb. 24<sup>th</sup> 9:00 am through Tues., March 9<sup>th</sup>**
  - SBA is only accepting applications from borrowers with fewer than 20 employees
  - All applications already submitted by lenders to SBA before the start of the exclusivity period will still be processed
  - During the exclusivity period, SBA is rejecting any new applications for employers that have 20 or more employees
  - Counting employees: Each employee counts as one, regardless if full-time, part-time, or seasonal



# **Schedule C Filers**

## **Revisions to Loan Amount Calculation**

### **First and Second Draw PPP Loans**

- These revisions are not retroactive
- IFR and new application forms posted on Treasury and SBA's website (links on slide 19)
- SBA will begin accepting new applications for Schedule C filers on Friday, March 5, 2021

## General Loan Details

Second Draw PPP Loan?

\* You **MUST** indicate if this is a Second Draw PPP Loan, **BEFORE** you fill out this section.

2483-C or 2483-SD-C Form

### Section 2: Loan Request Information

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Average monthly payroll

\$

\*If Applicant submitted SBA Form 2483-C, use the amount entered in B in either table, plus the amount entered in C for Applicants with employees (if applicable), multiplied by 2.5; or

\*If Applicant submitted SBA Form 2483-SD-C, use the amount entered in B in either table, plus the amount entered in C for Applicants with employees (if applicable), multiplied by 2.5 (or multiplied by 3.5 for NAICS 72 applicants)

### Schedule C Information

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Total Amount of Gross Income (from IRS Form 1040, Schedule C, Line 7)

\$

Tax Year Used for Gross Income

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# Paycheck Protection Program (PPP)

## *Schedule C Filers – Next Steps for Lenders and Borrowers*

### Lenders:

If you **submitted** an application to the platform and it has **not yet been approved**, you may withdraw the application from the Paycheck Protection Platform

If the application has been **approved** but the loan has **not yet been disbursed**, you may cancel the loan in E-Tran Servicing and the applicant may apply for a new loan using the new application form

If you have **disbursed** the loan but you have **not yet filed** the related Form 1502, you may cancel the loan in E-Tran Servicing and the applicant may repay and apply for a new loan using the new application form

If you have **disbursed** the loan **and filed** the related Form 1502, the loan cannot be canceled

Revisions to loan amounts must be made by using the new loan application forms (no loan increases)

Note: The cancellation process does not occur on the Platform – loans must be canceled in E-Tran Servicing; Data in Platform may take up to 2 days to update actions in E-Tran Servicing (can't enter new loan application until the Platform recognizes the prior loan's cancellation)

# Paycheck Protection Program (PPP)

## *Schedule C Filers – Partnerships & LLCs*

**Question:** Are partnerships and LLCs included in the revisions for Schedule C filers?

**Answer:**

Partners and partnerships are **not** included in the revisions

Single-member LLCs that file Schedule C **are** included\*

Qualified joint ventures as [defined by IRS](#) **are** included\*:

- The only members are a married couple who file a joint return
- Both spouses materially participate in the business
- Both spouses elect not to be treated as a partnership
- Other limitations apply – see IRS definition for full details

\*Forms 2483-C and 2483-SD-C provide instructions for #employees & income



# Paycheck Protection Program (PPP)

## *More flexibility for Schedule C Filers*

- For borrowers that file IRS Form 1040 Schedule C:
  - “Income” now encompasses borrower’s net income and gross income to account for fixed and other business expenses
  - The revised definition of income allows revisions to the loan amount calculation
- Application Forms:
  - SBA Form 2483-C or 2483-SD-C: Only for Schedule C filers using gross income
  - SBA Form 2483 or 2483-SD: If using net income to calculate loan amount or if using Schedule F (either gross or net)

# Paycheck Protection Program (PPP)

## Owner Compensation

Why is “Owner Compensation” important? The new definition of owner compensation allows applicants to use either net profit or gross income in its calculation of total payroll costs.

**Schedule C filer - no employees:** Owner compensation is either gross income (line 7) *or* net profit (line 31)

**Schedule C filer – with employees:**  
**Owner compensation:**

- Net profit (line 31); *or*
- Gross income (line 7) minus:
  - Line 14 (Employee benefit programs)
  - Line 19 (Pension and profit-sharing); and
  - Line 26 (Wages less employment credits)

Owner compensation does not include employee payroll costs (this is why lines 14, 19, & 26 are subtracted from gross income to determine owner calculation)

**Owner compensation + employee payroll costs (from Form 941) = total payroll costs**

# Paycheck Protection Program (PPP)

## *Revised Formula – Schedule C Filer No Employees*

First Draw PPP Loan - For Schedule C filer with no employees:

**Step 1:** From 2019 or 2020 IRS Form 1040, Schedule C, line 31 net profit **or line 7 gross income**

- If this amount is over \$100,000, reduce it to \$100,000.
- If both your net profit and gross income are zero or less, you are not eligible for a PPP loan

**Step 2:** Calculate the average monthly net profit or gross income amount  
(divide the amount from Step 1 by 12)

**Step 3:** Multiply the average monthly net profit or gross income amount from Step 2 by 2.5  
This amount cannot exceed \$20,833

**Step 4:** Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020

# Paycheck Protection Program (PPP)

## *Revised Formula - Schedule C Filer with Employees*

First Draw PPP Loan - For Schedule C filer with employees:

**Step 1:** 2019 or 2020 Schedule C;

- 1. Calculate owner compensation share of payroll costs - Use either:
  - Net profit (line 31); **or**
  - Gross income (line 7) **minus** employee payroll costs (lines 14, 19, & 26)
- 2. If #1 is more than \$100,000, reduce to \$100,000; If less than zero, set to zero
- 3. Add eligible employee payroll costs (cash and non-cash (e.g. employer contributions to employee group health insurance, retirement contributions, etc.))

**Step 2:** Calculate the average monthly amount (divide the sum from Step 1 by 12)

**Step 3:** Multiply the average monthly amount from Step 2 by 2.5

**Step 4:** Add the outstanding amount of any EIDL made between Jan. 31, 2020 and April 3, 2020

# Paycheck Protection Program (PPP)

## *Second Draw PPP Loans*

- Same rules for loan amount calculation as First Draw PPP loan calculation except:
  - Loan amount may not exceed \$2 million
  - Borrower with NAICS code beginning with 72:
    - Multiply average monthly payroll by 3.5
    - For a Schedule C filer without employees - this amount cannot exceed \$29,167

Note: Second Draw PPP Loan eligibility requirements continue to apply to Schedule C filers (e.g. 25% reduction in gross receipts, which includes affiliates)

# Paycheck Protection Program (PPP)

## *SBA Review of Good Faith Loan Necessity Certification*

- First Draw PPP Loans:
  - If using gross income ***and*** the borrower reported more than \$150,000 in gross income on the Schedule C used to calculate loan amount:
    - SBA may review Borrower's certification concerning the necessity of the loan and whether the borrower complied with PPP eligibility criteria
    - If a loan is picked for review, the review will follow the same processes that apply to all other PPP loan reviews
  - Safe harbor applies if using:
    - Gross income ***and*** the Borrower reported \$150,000 or less in gross income on the Schedule C used to calculate loan amount; or
    - Net income
- Second Draw PPP Loans: Safe harbor applies because Applicants are required to certify that they had a reduction of gross receipts by at least 25%



# Eligibility Revisions

# Paycheck Protection Program (PPP)

## *Elimination of Restrictions – Non-Financial Fraud Felonies*

- Eliminated: Restrictions on businesses with owners who have prior non-financial fraud felony convictions
- **The elimination of the restriction is *not* retroactive**
- Remaining in place: Restrictions on businesses with 20% or more owner who:
  - Has an arrest or conviction for a felony fraud related to financial assistance fraud within the past 5 years
  - Is currently incarcerated for a felony at the time of application

Note: Lenders must continue following the process for resolving hold codes and compliance check error message previously announced (SBA Procedural Notice [5000-20092](#))



# Paycheck Protection Program (PPP)

## *Elimination of Restrictions – Student Loan Debt Delinquency & Defaults*

- **Eliminated:** Restriction on businesses owned or controlled by owners who have Federal student loan debt that is currently delinquent or has defaulted and caused a loss to the Federal government
- **Retroactive:** This change applies to new PPP applicants as well as those who have already received a PPP loan (**This is the *only* retroactive change implemented in the IFR**)
- SBA is automatically removing hold codes and compliance check error messages on loans related to Do Not Pay Education

# Paycheck Protection Program (PPP)

## *Elimination of Restrictions – Non-Citizen Owners*

- Not in the IFR
- All lawful US residents have access to PPP
- E-Tran and the PPP platform permit the use of ITINs as the identifier for a business owned by a sole proprietor and for a principal
- ITIN: Individual Taxpayer Identification Number
  - Issued by IRS
  - Nine-digit number with format: 9XX-XX-XXXX
  - Always begins with “9”

# Paycheck Protection Program (PPP)

*Stay up to date...*

- [FAQs](#)
- [SBA's PPP Lenders page](#)
- [SBA's PPP First Draw page](#)
- [SBA's PPP Second Draw page](#)
- [IFR](#) – Revisions to Loan Amount Calculation and Eligibility
- [SBA Form 2483](#) – Borrower Application Form (First Draw)
- [SBA Form 2483-SD](#) – Borrower Application Form – Second Draw
- [SBA Form 2483-C](#) – Borrower Application Form – Schedule C Filer (using gross income) (First Draw)
- [SBA Form 2483-SD-C](#) – Borrower Application Form – Second Draw – Schedule C Filer (using gross income)
- [SBA Form 2484](#) – Lender Application Form
- [SBA Form 2484-SD](#) – Lender Application Form – Second Draw

# Paycheck Protection Program (PPP)

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- White House Fact Sheet available at:  
<https://whitehouse.gov>
  - From the menu in upper right corner
  - Select "Briefing Room"
- Best source of accurate information for:
  - All COVID-19 economic aid programs administered by the SBA  
[www.SBA.gov/coronavirusrelief](http://www.SBA.gov/coronavirusrelief)
  - For the PPP [www.SBA.gov/ppp](http://www.SBA.gov/ppp)