



PPP Loan Request Checklist – First Draw Loans – Form 1040 Schedule C

(note: LLC borrowers should use the checklist that aligns with how their taxes are filed)
Information on calculating on both Net and Gross Income is included in this document

Please note: Receipt of an application is not confirmation of funding under this program

SBA Form 2483 – Application

- Loan amount needs to be rounded down to the nearest \$100
- All owners need to be eligible under SBA guidelines. We need to have the Owner Name, Title, Ownership %, TIN (EIN, SSN), and Address for each 20% or greater owner.
- A yes on question #3 means you need to include an addendum A, there is no specific form for this.
- A yes on question #4 requires an Addendum B, there is no specific form for this, but you should include the date of the loan, the loan amount and the loan number. This does not apply if you only obtained an EIDL advance.
- Faith based organizations – need to submit faith based addendum to application on your letterhead as Addendum C.
- By submitting the application, you are certifying that you are eligible. Information on eligibility can be found at:
 - [SBA Website - Paycheck Protection Program](#)
- Link to SBA NAICS and size standards list, please confirm your NAICS is valid:
 - [SBA Size Standards by NAICS](#)
- Make sure all certifications and questions are answered/complete.

The following information should be provided on one separate sheet of paper:

- Show the methodology used from the act to calculate the payroll costs
 - Information is on the next page or can be found in full detail at:
[Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act](#)
[Interim Final Rule on Loan Amount Calculation and Eligibility](#)

The following information on how to calculate loan amounts is from the SBA document as of 6/26/20 and is amended using the new formula to allow for gross income. The Economic Aid Act amended the payroll to allow you to choose 2019 or 2020 – you must use the same year for all items.

- 1. Question:** I am self-employed and have no employees, how do I calculate my maximum PPP loan amount? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the 24-week period following the first disbursement of the PPP loan.)

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Answer: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed and have no employees, and your principal place of residence is in the United States, including if you are an independent contractor or operate a sole proprietorship (but not if you are a partner in a partnership):

- **Step 1:** Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount or line 7 gross income. If this amount is over \$100,000, reduce it to \$100,000. If this amount is 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 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

Required documents:

- 2019 or 2020 IRS Form 1040 Schedule C must be provided to substantiate the applied-for PPP loan amount.
- 2019 or 2020 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record establishing you were self-employed in 2019 or 2020
- 2020 invoice, bank statement, or book of record establishing you were in operation on February 15, 2020.

2. **Question:** I am self-employed and have employees, how do I calculate my maximum PPP loan amount (up to \$10 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the 24-week period following the first disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed with employees, including if you are an independent contractor or operate a sole proprietorship (but not if you are a partner in a partnership):

- **Step 1:** Compute your 2019 payroll costs by adding the following:
 - Calculate owner compensation share of payroll costs – use either 2019 IRS Form 1040 Schedule C line 31 net profit amount or Gross income amount line 7 *minus* employee payroll costs on lines 14, 19 & 26. 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, 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

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- 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 health insurance (portion of IRS Form 1040 Schedule C line 14 attributable to health insurance);
- 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).
- **Step 2:** Calculate the average monthly payroll costs amount (divide the amount from Step 1 by 12).
- **Step 3:** Multiply the average monthly payroll costs amount from Step 2 by 2.5.
- **Step 4:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

Required documents:

- 2019 or 2020 IRS Form 1040 Schedule C
- 2019 or 2020 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)
- Documentation of any retirement or health 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 and had employees on that date.