PPP Loan Request Checklist – Second Draw Loans – Partnerships

(note: LLC borrowers should use the checklist that aligns with how their taxes are filed)

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

SBA Form 2483-SD– Application

- Loan amount needs to be rounded down to the nearest $100
- The Quarter comparison must be calendar quarters
- 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.
- 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:

- Amount of your first draw PPP loan amount
- 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 Second Draw Loans
- Break out anticipated use of proceeds for the second draw loan – amount of each:
    - Payroll Costs
    - Rent/Mortgage Interest Payments
    - Utilities
    - Covered Operations Expenditures
    - Covered Property Damage
    - Covered Supplier Costs
    - Covered Worker Protection Expenditures (PPE)
    - Other (explain)

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The following information on how to calculate loan amounts is from the SBA document as of 1/19/21 – the Economic Aid Act amended the payroll to allow you to choose 2019 or 2020 – you must use the same year for all items.

4. Question: How do partnerships apply for PPP loans and how is the maximum PPP loan amount calculated for partnerships (up to $2 million)? Should partners' self-employment income be included on the business entity level PPP loan application or on separate PPP loan applications for each partner? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following the disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed for partnerships (partners' self-employment income should be included on the partnership's PPP loan application, individual partners may not apply for separate PPP loans):

- Step 1: Compute 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,
        - 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 insurance, if any (portion of IRS Form 1065 line 19 attributable to those contributions);
    - 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.
- Step 2: Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).
- Step 3: Multiply the average monthly payroll costs from Step 2 by 2.5.

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Required documents: (if you use 2019 and your first draw loan was with STAR, you do not need to provide documents previously submitted)

- 2019 or 2020 IRS Form 1065 (including K-1s)
- 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)
- Records of any retirement or health insurance contributions
- If the partnership has employees, a payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish the partnership was in operation and had employees on that date.
- If the partnership has no employees, an invoice, bank statement, or book of record establishing the partnership was in operation on February 15, 2020 must instead be provided.
- If your loan is greater than $150,000, you must also submit documentation to establish the revenue reduction. The following are the primary sets of documentation Applicants can provide to substantiate their certification of a 25 percent gross receipts reduction (only one set is required):
  • 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 note below), 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.

- **Please Note:** If your loan is $150,000 or less, the SBA does not *require* additional documentation to establish your revenue reduction on or before the date you apply for loan forgiveness, (see immediate bullet point, above.) However, STAR highly encourages you to compute your revenue reduction figures and to share with STAR the supporting documentation from which you derived this reduction at the time you complete your application and make your certifications.

Question: 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?

Answer: The amounts required to compute gross receipts varies by the entity tax return type:
• For partnerships (IRS Form 1065): sum of lines 2 and 8, minus line 6
• LLCs should follow the instructions that apply to their tax filing status in the reference periods.