



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-27d1-49e1-96e8-91e73f1d768f/help-on-attending-a-live-event-in-teams-office-support); or
- Do an internet search for “Attend a Live event in teams”; Choose the link that begins with <https://www.support.microsoft.com>

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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

Applicant (including affiliates, if applicable) Meets Size Standard (check one):
<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

Number of Employees (including affiliates, if applicable; may not exceed 300 unless “per location” exception applies):

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Exclusivity Period for Applications

- **Wed., Feb. 24th 9:00 am through Tues., March 9th**
 - 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

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

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

\$

Tax Year Used for Gross Income



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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)

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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

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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)

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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

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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

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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

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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)

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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

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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](#))

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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

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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”

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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

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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
 - For the PPP www.SBA.gov/ppp