

Paycheck Protection Program

Loan Amount Worksheet and

Second Draw Loan Revenue Reduction Calculation (as of 3/20/2021)

This worksheet is optional. It is recommended that you complete this worksheet prior to filling out the Paycheck Protection Program Loan Application. You are NOT required to submit this document with your other required documentation.

Loan Amount Considerations

Please refer to:

- The Small Business Administration's Interim Final Rule Docket Nos. [SBA 2021-0001](#), [SBA 2021-0002](#), [SBA 2021-0010](#), and [SBA 2021-0013](#), as well as the U.S. Treasury's Website on Assistance for Small Businesses and SBA website, for official guidance on documentation and other programs.
- The SBA's Guidance on How to Calculate Loan Amounts and Revenue Reduction and What Documentation is Required:
 - [How to Calculate Maximum Loan Amounts for First Draw PPP Loans and What Documentation to Provide – By Business Type](#)
 - [Second Draw: How to Calculate Revenue Reduction and Maximum Loan Amounts Including what Documentation to Provide](#)
- The instructions in the SBA's application form:
 - [Form 2483 – First Draw Borrower Application](#)
 - [Form 2483-C – First Draw Borrower Application for Schedule C Filers Using Gross Income](#)
 - [Form 2483-SD – Second Draw Borrower Application](#)
 - [Form 2483-SD-C – Second Draw Borrower Application for Schedule C Filers Using Gross Income](#)

To calculate Average Monthly Payroll:

- For purposes of calculating "Average Monthly Payroll," most Applicants will use average monthly payroll for 2019 or 2020. All Applicants must exclude costs over \$100,000 on an annualized basis as prorated for the period during which the payments are made or the obligation to make the payments is incurred, for each employee.
 - Applicants who are NOT self-employed (including sole proprietorships or independent contractors) are also permitted to use the precise 1-year period before the date on which the loan is made to calculate payroll costs if they choose not to use average monthly payroll for 2019 or 2020¹.
 - For seasonal businesses,² the Applicant may elect to instead use average monthly payroll for any twelve-week period selected by the Applicant between February 15, 2019 and February 15, 2020.

¹ Second draw Applicants utilizing the precise 1-year period must use the period prior to their second draw loan. They cannot use the 1-year period used for their first draw loan to obtain a second draw loan.

² Per guidance from the SBA, a business is seasonal if it "(i) does not operate for more than 7 months in any calendar year; or (ii) during the preceding calendar year, had gross receipts for any six months of that year that were not more than 33.33 percent of the gross receipts of the employer for the other 6 months of that year."

- For new entities requesting first draw loans that were not in business before February 15, 2019, the Applicant may elect instead to use average monthly payroll costs for the period January 1, 2020 through February 29, 2020.
- For new entities requesting second draw loans that did not exist during the 1-year period preceding February 15, 2020, but were in operation on February 15, 2020, the Applicant may elect to use average monthly payroll costs from when the entity began operations through the end of calendar year 2020.
- Employee payroll costs consists of the following³:
 1. Compensation paid to employees (excluding compensation to employees whose principal place of residence is outside the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips)
 2. Employer payments for employee vacation, parental, family, medical, or sick leave (except those paid leave amounts for which a credit is allowed under FFCRA Sections 7001 and 7003)
 3. Employer payments to employees with respect to allowance for separation or dismissal
 4. Employer payments for the provision of employee benefits (including insurance premiums) consisting of group health care coverage, group life, disability, vision, or dental insurance, and retirement benefits⁴
 5. Employer payments of state and local taxes assessed on employee compensation⁵

To calculate Owner Compensation or Proprietor Expenses⁶:

- For Applicants that file IRS Form 1040, Schedule C and elect to use net profit to calculate loan amount, owner compensation is computed using line 31 net profit amount, limited to \$100,000. Schedule C filers with no employees must show a net profit on line 31. If line 31 is zero or less, you are not eligible for a PPP loan.
- For Applicants without employees that file IRS Form 1040, Schedule C and elect to use gross income to calculate loan amount, proprietor expenses are computed using line 7 gross income amount, limited to \$100,000. If line 7 is zero or less, you are not eligible for a PPP loan.
- For Applicants with employees that file IRS Form 1040, Schedule C and elect to use gross income to calculate loan amount, proprietor expenses are computed using line 7 gross income amount minus the sum of lines 14, 19, and 26, limited to \$100,000.
- For Applicants that are partnerships, owner compensation is computed using net earnings from self-employment of individual general partners, as reported on IRS Form 1065 K-1, box 14a, reduced by section 179 expense deduction claimed in box 12, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by 0.9235, that is not more than \$100,000 per partner.
- For Applicants that are farmers and ranchers⁷ without employees, owner compensation is computed using IRS Form 1040 Schedule F line 9 gross income, up to \$100,000. Schedule F filers with no employees must show positive gross income on line 9.

³ For items 1-3 in the aggregate, exclude costs over \$100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, for each employee.

⁴ Do not include any employee paid amounts that the employer withheld and remitted on their behalf.

⁵ Do not include any employee paid amounts that the employer withheld and remitted on their behalf.

⁶ Owner compensation includes wage, commissions, income or net earnings from self-employment or similar compensation.

⁷ Only farmers and ranchers who (1) file a Schedule F with their Form 1040 and (2) report Schedule F farm income on IRS Form 1040 Schedule 1 may use gross income to determine their loan amount. Single member LLCs and qualified joint ventures, as defined by the IRS, that file Schedule F with their Form 1040 may use gross income to determine their loan amount. Only one spouse in a qualified joint venture may submit a PPP loan application on behalf of the qualified joint venture.

- For Applicants that are farmers and ranchers⁸ with employees, owner compensation is computed using the lesser of \$100,000 and the difference between gross income as reported on IRS Form 1040 Schedule F line 9 and the sum of Schedule F lines 15, 22 and 23.
- For Applicants eligible to use gross income from both Schedule C and Schedule F, owner compensation is computed by separately calculating the Schedule C and Schedule F amounts using the above instructions and summing the two results together.
- For S and C Corporations, owner-employee compensation should be included in the Employee Payroll calculation. Such owner-employees are not eligible for separate owner compensation since owner compensation is included in the employee payroll calculation.

[Continued on next page]

⁸ See footnote #7.

Maximum Loan Amount

Represents the maximum amount a qualified applicant may request

Round to the whole number for calculations. Decimals are not accepted.

See [SBA's How to Calculate Maximum Loan Amounts for First Draw PPP Loans](#)
& [SBA's How to Calculate Maximum Loan Amounts for Second Draw PPP Loans](#)

Employee Payroll

- Employee Payroll (including compensation to employees in the form of employee salary, wages, commissions, or similar compensation; cash tips or the equivalent; payment for vacation, parental, family, medical, or sick leave; and allowance for separation or dismissal)
- **Less** Employee Payroll paid to employees whose principal place of residence is outside the US
- **Less** any compensation paid to an employee over \$100,000 on an annualized basis, as prorated for the period during which payments are made or the obligation to make the payments is incurred, for each employee
- Employee Payroll: Sum employee payroll (Row 1) **less** payroll to non-US residents (Row 2) **less** comp over \$100,000 (Row 3). **Place the average monthly value (Row 4, gray box) in the Employee payroll field of your online application.**

	Total Annual Payroll ⁹	Average Monthly Payroll ¹⁰
1	\$	
2	-	
3	-	
4	\$	

Owner(s) Compensation or Proprietor Expenses

- Owner compensation or proprietor expense amounts (if applicable)
- **Less** any owner compensation calculated for (an) owner(s) over \$100,000 on an annualized basis, as prorated for the period during which payments are made or the obligation to make the payments is incurred, for each owner

5	\$	
6	-	

⁹ Total annual payroll can be for calendar year 2019, 2020 or, for Applicants who are not self-employed (including sole proprietorships and independent contractors), the precise 1-year period before the date on which the loan is made. Second draw Applicants utilizing the option of the precise 1-year period before the date on which the loan is made must use the 1-year period prior to their second draw loan, not the 1-year period prior to their first draw loan. In addition:

- Seasonal businesses, who do not use calendar year 2019, 2020 or the precise 1-year period before the date on which the loan is made, may calculate total annual payroll by taking the payroll costs incurred during any twelve-week period selected by the Applicant between February 15, 2019 and February 15, 2020 and dividing that number by 12 and then multiplying that number by 52 to get the total annual payroll.
- New entities applying for first-draw loans, who do not use calendar year 2019, 2020 or the precise 1-year period before the date on which the loan is made, may calculate total annual payroll by taking the payroll costs incurred from January 1, 2020 to February 29, 2020, dividing that number by 60 and then multiplying that number by 364 to get the total annual payroll.
- New entities applying for second-draw loans, who do not use calendar year 2019, 2020 or the precise 1-year period before the date on which the loan is made, may calculate total annual payroll by taking the payroll costs incurred from when the entity began operations through the end of the calendar year 2020, dividing that number by the number of days the business was in operation from 2019 through the end of 2020, and then multiplying that number by 364 to get the total annual payroll.

You must use the same base period (e.g. 2019 or 2020) for all components of your Loan Request Amount.

¹⁰ Take total annual payroll and divide by 12.

- Owner(s) Compensation or Proprietor Expenses: Sum payroll paid as owner(s) compensation or proprietor expenses (Row 5) less comp over \$100,000 (Row 6). **Place the average monthly value (Row 7, gray box) in the Owner Compensation field of your online application.**

7	\$	\$
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Additional Employee Payroll Costs (Employer Paid)

- Employer paid employee benefits (including insurance premiums) consisting of group health care coverage, group life, disability, vision or dental insurance
- Employer paid employee retirement benefits
- Employer paid state and local taxes assessed on employee compensation¹¹
Place the average monthly values (Rows 8,9,10, gray boxes) in the Additional payroll costs fields of your online application.

8	\$	\$
9	\$	\$
10	\$	\$

Total Average Monthly Payroll¹²

- Sum total monthly average employee payroll (Row 4), owner compensation (Row 7) and all additional employee payroll costs (Rows 8, 9, 10). **Place the average monthly value (Row 11, gray box) in the Total average monthly payroll field of your online application.**

11	\$	
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Loan Request Amount*

- Multiply total average monthly payroll (Row 11) by 2.5. For second draw PPP loan AND businesses whose most recent tax returns reflect a NAICS Code 72, multiply total average monthly payroll costs (Row 11) by 3.5. **Place the average monthly value (Row 12, gray box) in the Loan request amount field of your online application.**

12	\$	
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***Maximum total requested loan amount**

Per official guidance from the U.S. Treasury’s Website on Assistance for Small Businesses and the SBA website:

Maximum First Draw PPP Loans cannot exceed the lesser of:

- Two and a half months of the Applicant’s total average monthly payroll; and
- \$10 million; provided that businesses that are part of a single corporate group may not receive more than \$20 million First Draw PPP Loans in the aggregate.

Maximum Second Draw PPP Loans cannot exceed the lesser of:

- Two and a half months of the Applicant’s total average monthly payroll (or three and a half months total average monthly payroll costs for Applicants whose most recent tax returns reflect a NAICS code beginning with 72); and
- \$2 million dollars; provided that businesses that are part of a single corporate group may not receive more than \$4 million of Second Draw PPP Loans in the aggregate.

*Please refer to Section 2(f) of the Small Business Administration’s Interim Final Rule Doc. No. SBA-2020-0015 (13 CFR Part 20), as revised by the SBA’s Interim Final Rule Doc. Nos. SBA-2020-0035 (13 CFR Part 120), SBA-2021-0001 (13 CFR Parts 113, 120 and 121), and SBA-2021-0010, as well as the SBA’s How to Calculate Maximum Loan Amounts for First Draw PPP Loans & SBA’s How

¹¹ Do not add employer-side federal payroll taxes assessed on employee compensation

¹² Add the Average Monthly Payroll totals of Employee Payroll, Owner Compensation and Additional Payroll Costs to get the total average monthly payroll costs.

to Calculate Maximum Loan Amounts for Second Draw PPP Loans for a complete description of the terms included in and excluded from payroll costs.

Second Draw Loan – Revenue Reduction Calculation

For detailed instructions on how to calculate your revenue reduction, see the SBA’s Second Draw: How to Calculate Revenue Reduction and Maximum Loan Amounts Including what Documentation to Provide

Applicants seeking second draw loans must certify that they have realized a 25% reduction in gross receipts.¹³ The appropriate reference period for determining revenue reduction depends on how long you have been in operation:

- For all entities (other than those specifically set forth below):
 - Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than the same quarter of 2019. Alternatively, Applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019; Applicants choosing to use annual gross receipts must enter “Annual” in the reference period and 2020 period fields and must submit copies of annual tax forms substantiating the annual gross receipts reduction.
- In operation Q3 and Q4 2019 but not Q1 or Q2 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% lower than either the third or fourth quarters of 2019.
- In operation Q4 2019 but not Q1, Q2, or Q3 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% lower than the fourth quarter of 2019.
- In operation Feb. 15, 2020 but not during 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% lower than the first quarter of 2020.

If applicable, Applicants with affiliates must add the gross receipts of their affiliates for purposes of the revenue reduction calculation. Please review the SBA’s affiliation rules, as applicable to the PPP (86 Fed. Reg. 3692, 3698-99 (Jan. 14, 2021)) and the SBA’s rules for calculating the gross receipts of affiliates (86 Fed. Reg. 3712, 3718 (Jan 14, 2021)) for more information.

To calculate Revenue Reduction:

$$\frac{\text{Reference Period Gross Receipts} - \text{2020 Period Gross Receipts}}{\text{Reference Period Gross Receipts}} \times 100 = \% \text{ Revenue Reduction}$$

¹³ Please review the SBA’s definition of gross receipts (86 Fed. Reg. 3712, 3718 (Jan 14, 2021)) and SBA’s How to Calculate Maximum Loan Amounts for Second Draw PPP Loans for more information.

The Small Business Administration and the Department of Treasury continue to provide additional guidance concerning the Paycheck Protection Program. Thus, Bank of America makes no representation that information contained herein is up to date or complete. Before submitting your PPP loan application, applicants should visit the U.S. Treasury Assistance for Small Businesses, U.S. Treasury FAQ and SBA websites for the latest information and guidance related to the Paycheck Protection Program.