

## **Maximum Second Draw PPP Loan Amounts**

This guidance describes payroll costs using calendar year 2019 as the reference period for determining payroll costs used to calculate loan amounts. However, borrowers are permitted to use payroll costs from either calendar year 2019 or calendar year 2020 for their Second Draw PPP Loan amount calculation.<sup>6</sup> Documentation, including IRS forms, must be supplied for the selected reference period. If a borrower is using the same lender and same payroll timeframe as it used for its First Draw PPP Loan and already submitted the required payroll documentation to the lender, no additional payroll documentation is required to be submitted with its Second Draw PPP Loan application.

- 1. Question:** I am self-employed and have no employees. How do I calculate my maximum Second Draw PPP Loan amount? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following 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 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.<sup>7</sup> 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 amount (divide the amount from Step 1 by 12).
- **Step 3:** Multiply the average monthly net profit amount from Step 2 by 2.5.<sup>8</sup>

Your 2019 IRS Form 1040 Schedule C must be provided to substantiate the applied-for Second Draw PPP Loan amount. You must also provide a 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), IRS Form 1099-K, invoice, bank statement, or book of record establishing you were self-employed in 2019 and a 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 Second Draw PPP Loan amount (up to \$2 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

---

<sup>6</sup> All components of payroll costs must be from the same calendar year. Payroll costs, including for covered benefits, can only be included for employees whose principal place of residence is in the United States.

<sup>7</sup> If you are using 2020 amounts and you have not yet completed a 2020 return, fill it out and compute the value.

<sup>8</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector (NAICS Code 72) and the business activity code reported on your most recent IRS Form 1040 Schedule C line B begins with 72.

As of January 19, 2021

**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:
  - 2019 IRS Form 1040 Schedule C line 31 net profit amount;<sup>9</sup>
    - if this amount is over \$100,000, reduce it to \$100,000;
    - 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, 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 group health, life, disability, vision, and dental insurance (the portion of IRS Form 1040 Schedule C line 14 attributable to those contributions);
  - 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.<sup>10</sup>

Your 2019 IRS Form 1040 Schedule C, 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), along with documentation of any retirement or group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for Second Draw PPP Loan amount. A

---

<sup>9</sup> If you are using 2020 payroll costs and have not yet completed a 2020 return, fill it out and compute the value.

<sup>10</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector and the business activity code reported on your most recent IRS Form 1040 Schedule C line B begins with 72.

As of January 19, 2021

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.

- 3. Question:** I am a self-employed farmer or rancher who reports my income on IRS Form 1040 Schedule F. What documentation must I provide in place of Schedule C and how should my maximum Second Draw PPP Loan amount be calculated (up to \$2 million)?

**Answer:** Self-employed farmers and ranchers (i.e., those who file IRS Form 1040 Schedule F and then report Schedule F income on IRS Form 1040 Schedule 1) should use IRS Form 1040 Schedule F in lieu of Schedule C.

The calculation for self-employed farmers and ranchers without employees is the same as for Schedule C filers that have no employees, except that Schedule F line 9 (gross income) should be used to determine the loan amount rather than Schedule C line 31 (net profit).

The calculation for self-employed farmers and ranchers with employees is the same as for Schedule C filers that have employees with several exceptions. First, in place of Schedule C line 31 (net profit), the difference between Schedule F line 9 (gross income) and the sum of Schedule F lines 15, 22, and 23 (for employee payroll) should be used. Second, employer contributions for employee group health, life, disability, vision and dental insurance (portion of Schedule F line 15 attributable to those contributions) and employer contributions for employee retirement contributions (Schedule F line 23) should be used in place of those respective lines on Schedule C.

The documentation requirements are the same as for Schedule C filers except the 2019 IRS Form 1040 Schedule 1 and Schedule F must be included with the Second Draw PPP Loan application in place of IRS Form 1040 Schedule C. Additionally, for farmers and ranchers with employees, IRS Form 943 should be provided in addition to, or in place of, IRS Form 941, as applicable.

- 4. Question:** How do partnerships apply for Second Draw PPP Loans and how is the maximum Second Draw PPP Loan amount calculated for partnerships (up to \$2 million)? Should partners' self-employment income be included on the business entity level Second Draw PPP Loan application or on separate Second Draw 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 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:

As of January 19, 2021

- 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,<sup>11</sup> up to \$100,000 per partner;<sup>12</sup>
    - 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).

---

<sup>11</sup> This treatment follows the computation of self-employment tax from IRS Form 1040 Schedule SE Section A line 4 and removes the “employer” share of self-employment tax, consistent with how payroll costs for employees in the partnership are determined.

<sup>12</sup> If the partnership is using 2020 payroll costs and the Form 1065 for 2020 has not yet been completed, fill out the form.

As of January 19, 2021

- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.<sup>13</sup>

The partnership's 2019 IRS Form 1065 (including K-1s) must be provided to substantiate the applied-for Second Draw PPP Loan amount. If the partnership has employees, other relevant supporting documentation, including the 2019 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) along with records of any retirement or group health, life, disability, vision, and dental insurance contributions must also be provided to substantiate the PPP loan amount. 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.

5. **Question:** How is the maximum Second Draw PPP Loan amount calculated for S corporations and C corporations (up to \$2 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

**Answer:** The following methodology should be used to calculate the maximum amount that can be borrowed for corporations, including S and C corporations:

- **Step 1:** Compute 2019 payroll costs by adding the following:
  - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, 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 group health, life, disability, vision, and dental insurance contributions (portion of IRS Form 1120 line 24 or IRS Form 1120-S line 18 attributable to those contributions);<sup>14</sup>
  - 2019 employer retirement contributions (IRS Form 1120 line 23 or IRS

---

<sup>13</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector and the business activity code reported on your most recent IRS Form 1065 Line C begins with 72.

<sup>14</sup> Note that employer contributions for group health, life, disability, vision, and dental insurance for S-Corporation employees who own more than a 2 percent stake in the business (or employees who are family members of such owners) are not included in this figure as such contributions are already included in gross wages.

As of January 19, 2021

Form 1120-S line 17); 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 (divide the amount from Step 1 by 12).
- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.<sup>15</sup>

The corporation's 2019 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), along with the filed business tax return (IRS Form 1120 or IRS 1120-S) or other documentation of any retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for Second Draw PPP Loan amount. 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.

6. **Question:** How is the maximum Second Draw PPP Loan amount calculated for eligible nonprofit organizations (up to \$2 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

**Answer:** The following methodology should be used to calculate the maximum amount that can be borrowed for eligible nonprofit organizations (eligible nonprofit religious institutions or other eligible nonprofits without an IRS Form 990 filing requirement, see the next question):

- **Step 1:** Compute 2019 payroll costs by adding the following:
  - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, 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 group health, life, disability, vision, and dental insurance contributions (portion of IRS Form 990 Part IX line 9 attributable to those

---

<sup>15</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector and the business activity code reported on your most recent IRS Form 1120 Schedule K, line 2A (IRS Form 1120-S item B) begins with 72.

- contributions);
  - 2019 employer retirement contributions (IRS Form 990 Part IX line 8); 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 (divide the amount from Step 1 by 12).
  - **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.<sup>16</sup>

The nonprofit organization's 2019 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), along with the filed IRS Form 990 Part IX or other documentation of any retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for Second Draw PPP Loan amount. 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. Eligible nonprofits that file IRS Form 990-EZ should rely on that form and those that do not file an IRS Form 990 or 990-EZ, typically those with gross receipts less than \$50,000, should see the next question.

7. **Question:** How is the maximum Second Draw PPP Loan amount calculated for eligible nonprofit religious institutions, veterans organizations, and tribal businesses (up to \$2 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

**Answer:** The following methodology should be used to calculate the maximum amount that can be borrowed for eligible nonprofit religious institutions, veterans organizations and tribal businesses:

- **Step 1:** Compute 2019 payroll costs by adding the following:
  - 2019 gross wages and tips paid to employees whose principal place of residence is in the United States, 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

---

<sup>16</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector and the business activity code reported on your most recent IRS Form 990 Part VIII, adjacent to line 2A begins with 72.

As of January 19, 2021

of \$100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the U.S.;

- 2019 employer group health, life, disability, vision, and dental insurance contributions;
  - 2019 employer retirement contributions 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 (divide the amount from Step 1 by 12).
  - **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.<sup>17</sup>

The entity's 2019 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), along with documentation of any retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for Second Draw PPP loan amount. 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.

**8. Question:** I am an LLC owner. Which set of instructions applies to me?

**Answer:** LLCs should follow the instructions that apply to their tax filing status in the reference period used to calculate payroll costs (2019 or 2020)—i.e., whether the LLC filed (or will file) as a sole proprietor, a partnership, or a corporation in the reference period.

**9. Question:** What other documentation can an applicant provide for the purpose of substantiating payroll costs used to calculate the applied-for Second Draw PPP Loan amount?

**Answer:** An applicant may provide IRS Form W-2s and IRS Form W-3 or payroll processor reports, including quarterly and annual tax reports, in lieu of IRS Form 941. Additionally, very small businesses that file an annual IRS Form 944 or agricultural employers that file an annual IRS Form 943 should rely on and provide IRS Form 944 or IRS Form 943 in lieu of IRS Form 941.

An applicant may provide records from a retirement administrator to document employer retirement contributions. An applicant may also provide records from a health insurance company or third-party administrator for a self-insured plan to document

---

<sup>17</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector (NAICS code that begins with 72, e.g., a hotel, restaurant, bar).

As of January 19, 2021

employer health insurance contributions.

**10. Question:** How is the maximum Second Draw PPP Loan amount calculated for a corporation or nonprofit not in operation for the full one-year period preceding February 15, 2020? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

**Answer:** The following methodology should be used to calculate the maximum amount that can be borrowed:

- **Step 1:** Compute total payroll costs from when first in operation in 2019 or 2020 through the end of calendar year 2020 by adding the following:
  - Gross wages and tips paid to your employees whose principal place of residence is in the United States, up to \$100,000 per employee annualized, which can be computed using:
    - IRS Form 941 Taxable Medicare wages & tips (line 5c-column 1) from each quarter the business was in operation,
    - 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 the product of \$8,333 and the number of months in operation through 2020, and (ii) any amounts paid to any employee whose principal place of residence is outside the United States;
  - Employer group health, life, disability, vision, and dental insurance contributions;<sup>18</sup>
  - Employer retirement contributions; and
  - 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 (divide the amount from Step 1 by number of months in operation from 2019 through the end of 2020).
- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.<sup>19</sup>

The entity's IRS Form 941s and state quarterly wage unemployment insurance tax reporting form from each quarter the entity was in operation (or equivalent payroll processor records or IRS Wage and Tax Statements), along with documentation of any

---

<sup>18</sup> Note that employer contributions for group health, life, disability, vision, and dental insurance for S-Corporation employees who own more than a 2 percent stake in the business (or employees who are family members of such owners) are not included in this figure as such contributions are already included in gross wages.

<sup>19</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector and the business activity code reported on your most recent income tax return (Form 1120 Schedule K, line 2A for corporations, Form 1120-S item B for S-corporations, and Form 990 Part VIII, adjacent to line 2A for nonprofits) begins with 72.

As of January 19, 2021

retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for Second Draw PPP Loan amount. 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.

**11. Question:** I am self-employed (or a partnership) and was in operation on February 15, 2020, but was not in operation for the full one-year period preceding February 15, 2020. I have filed or will file a Form 1040 Schedule C or Schedule F (or Form 1065) for 2020. What reference period should I be using to compute my Second Draw PPP Loan amount?

**Answer:** In this case, your maximum Second Draw PPP Loan amount is the average monthly payroll based on the number of months in which you were in operation from 2019 through the end of calendar year 2020, excluding costs over \$100,000 on an annualized basis.

- **Step 1:** Compute total applicable owner compensation across 2019 (if in operation that year) and 2020 income tax returns:<sup>20</sup>
  - For **self-employed Schedule C filers**, it is the sum of the value of Form 1040 Schedule C line 31 net profit.
    - If this amount is less than zero, set this amount to zero;
  - For **self-employed farmer or rancher with no employees**, it is the sum of the value of Form 1040 Schedule F line 9 gross income.
  - For **self-employed farmer or rancher with employees**, it is the sum of difference between the gross income amount on Form 1040 Schedule F line 9 and employee payroll costs from the sum of Form 1040 Schedule F lines 15, 22, and 23.
    - If this amount is less than zero, set this amount to zero.
  - For **partnerships**, it is the sum of 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.
    - 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 less than zero, set this amount to zero.
- **Step 2:** If the amount from Step 1 is greater than the product of \$8,333 and the number of months in operation from 2019 through the end of 2020, set it to this

---

<sup>20</sup> If you have not completed your applicable 2020 return, fill it out.

As of January 19, 2021

value.

- For **partnerships**, this cap applies separately to each general partner.
- **Step 3:** If the entity has employees, enter the amount computed from following the instructions from [FAQ 10 Step 1](#), otherwise enter 0.
- **Step 4:** Calculate the average monthly payroll costs (add Step 2 and Step 3 together and then divide that sum by the number of months in operation from 2019 through the end of 2020).
- **Step 5:** Multiply the average monthly payroll costs from Step 4 by 2.5.<sup>21</sup>

Your applicable income tax return (Form 1040 Schedule C, Form 1040 Schedule F, or Form 1065 (including K-1s)) from 2019 (if applicable) and 2020 must be provided to substantiate the applied-for Second Draw PPP loan amount. If you had employees, your IRS Form 941s and state quarterly wage unemployment insurance tax reporting form from each quarter the entity was in operation (or equivalent payroll processor records or IRS Wage and Tax Statements), along with documentation of any retirement and group health, life, disability, vision, and dental insurance contributions must be provided to substantiate the applied-for Second Draw PPP Loan amount. Additionally, 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. If you did not have employees, an invoice, bank statement, or book of record establishing you was in operation on February 15, 2020 must instead be provided.

**12. Question:** If I used payroll costs from the prior 12 months when computing my First Draw PPP Loan amount, can I continue to use those figures to compute my Second Draw PPP Loan amount?

**Answer:** No, payroll costs from the precise 12-month period prior to the First Draw PPP Loan cannot be used to compute the Second Draw PPP Loan amount. Any borrower that used payroll costs from the prior 12 months when computing its First Draw PPP Loan amount can calculate the amount for its Second Draw PPP Loan amount using calendar year 2019 or calendar year 2020 payroll costs.<sup>22</sup> A borrower that used calendar year 2019 for its First Draw PPP Loan amount may continue to do so.

**13. Question:** Can I enter NAICS code 72 on my Second Draw PPP Loan application if the business activity code line was left blank on my business's most recently filed income tax return?

---

<sup>21</sup> Multiply by 3.5 if your business is in the Accommodation and Food Services sector and the business activity code reported on the most recent income tax return (IRS Form 1040 Schedule C line B for self-employed who are not farmers or ranchers and Form 1120-S item B for partnerships) begins with 72.

<sup>22</sup> Borrowers who are not self-employed (including sole proprietorships and independent contractors) are also permitted to use the precise 1-year period before the date on which the Second Draw Loan is made to calculate payroll costs if they choose not to use 2019 or 2020.

**Answer:** If an entry for this line is missing from your tax return, you should report the industry code that is most applicable to your business' primary business activity. If your business is in the Accommodation and Food Services sector (e.g., a hotel, restaurant, bar), you can only report a NAICS Code beginning with 72 if you can substantiate this with alternative documentation, such as permits or licenses issued by local governments that are unique to this sector.

**14. Question:** In addition to pre-tax employee contributions for health insurance, what are the other pre-tax employee contributions for fringe benefits that may have been excluded from IRS Form 941 Taxable Medicare wages & tips that is part of employee gross pay?

**Answer:** Employee contributions and deductions from pay for flexible spending arrangements (FSA) or other nontaxable benefits under a section 125 cafeteria plan, qualified transit or parking benefits (up to \$270 a month), and group life insurance (for up to \$50,000 of coverage) may have been excluded from IRS Form 941 Taxable Medicare wages & tips. However, pre-tax employee contributions to retirement plans are included in Taxable Medicare wages & tips and should not be added to that figure to arrive at gross pay.

**15. Question:** How should a borrower account for federal taxes when determining its payroll costs for purposes of the maximum loan amount, allowable uses of a PPP loan, and the amount of a loan that may be forgiven?

**Answer:** Payroll costs are calculated on a gross basis without regard to federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees' pay. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer. However, payroll costs do not include the employer's share of payroll tax. For example, the wages of an employee who earned \$4,000 per month in gross wages, from which \$500 in federal taxes was withheld, count as \$4,000 in payroll costs. However, the employer-side federal payroll taxes imposed on the \$4,000 in wages are excluded from payroll costs under the statute.<sup>23</sup>

**16. Question:** Is there a limit on the dollar amount of Second Draw PPP Loans a corporate

---

<sup>23</sup> The definition of "payroll costs" in the CARES Act, 15 U.S.C. 636(a)(36)(A)(viii), excludes "taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period". As described above, the SBA interprets this statutory exclusion to mean that payroll costs are calculated on a gross basis, without subtracting federal taxes that are imposed on the employee or withheld from employee wages. Unlike employer-side payroll taxes, such as employer-side taxes are ordinarily expressed as a reduction in employee take-home pay; their exclusion from the definition of payroll costs means payroll costs should not be reduced based on taxes imposed on the employee or withheld from employee wages. This interpretation is consistent with the text of the statute and advances the legislative purpose of ensuring workers remain paid and employed. Further, because the reference period for determining a borrower's maximum loan amount will largely or entirely precede the period during which borrowers will be subject to the restrictions on allowable uses of the loans, for purposes of the determination of allowable uses of loans and the amount of loan forgiveness, this statutory exclusion will apply with respect to such taxes imposed or withheld at any time, not only during such period.

As of January 19, 2021

group can receive?

**Answer:** Yes, businesses that are part of the same corporate group cannot receive Second Draw PPP Loans in a total amount of more than \$4 million. For purposes of this limit, businesses are part of a single corporate group if they are majority owned, directly or indirectly, by a common parent.