

FOR PPP Loan Applicants:

To enable us to submit your applications as expeditiously as possible, an applicant should provide a worksheet or cover sheet laying out their calculation of average monthly payroll, consistent with the guidelines outlined below, with citation references to your accompanying information supporting the figures in your calculation.

**FORMULA:**

(1) Aggregate Payroll costs from last 12 months for employees whose principal place of business is the U.S.

a. Payroll costs, defined as compensation to employees in the form of:

- i. salary, wages, commissions, or similar compensation;
- ii. 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);
- iii. payment for vacation, parental, family, medical, or sick leave;
- iv. allowance for separation or dismissal;
- v. payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- vi. payment of state and local taxes assessed on compensation of employees;
- vii. IF THE APPLICANT IS AN INDEPENDENT CONTRACTOR OR SOLE PROPRIETOR, then wage, commissions, income, or net earnings from self-employment or similar compensation

viii. EXCLUDED:

1. Compensation of employee whose principal resident is outside the U.S.;

2. Compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
3. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees;
4. Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)

(2) Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and, FOR INDEPENDENT CONTRACTORS AND SOLE PROPRIETERS, exclude any compensation amount in excess of \$100,000 per year

(3) Calculate average monthly payroll costs (divide the amount from Step 2 by 12)

(4) Multiply the average monthly payroll costs from Step 3 by 2.5

IF APPLICABLE: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid)

Examples:

**(1) No employees make more than \$100,000**

Annual payroll: \$120,000

Average monthly payroll: \$10,000

Multiply by 2.5 = \$25,000

Maximum loan amount is \$25,000

**(2) Some employees make more than \$100,000**

Annual payroll: \$1,500,000

Subtract compensation amounts in excess of an annual salary of \$100,000:  
\$1,200,000

Average monthly qualifying payroll: \$100,000

Multiply by 2.5 = \$250,000

Maximum loan amount is \$250,000

**(3) No employees make more than \$100,000, outstanding EIDL loan of \$10,000**

Annual payroll: \$120,000

Average monthly payroll: \$10,000

Multiply by 2.5 = \$25,000

Add EIDL loan of \$10,000 = \$35,000

Maximum loan amount is \$35,000

**(4) Some employees make more than \$100,000, outstanding EIDL loan of \$10,000**

Annual payroll: \$1,500,000

Subtract compensation amounts in excess of an annual salary of \$100,000:  
\$1,200,000

Average monthly qualifying payroll: \$100,000

Multiply by 2.5 = \$250,000

Add EIDL loan of \$10,000 = \$260,000

Maximum loan amount is \$260,000

**WHAT CAN I COUNT AS PAYROLL COSTS?**

- a. Payroll costs defined as, compensation to employees in the form of:
  - i. salary, wages, commissions, or similar compensation;
  - ii. 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);
  - iii. payment for vacation, parental, family, medical, or sick leave;
  - iv. allowance for separation or dismissal;
  - v. payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
  - vi. payment of state and local taxes assessed on compensation of employees

### **WHAT IS EXCLUDED?**

1. Compensation of employee whose principal resident is outside the U.S.;
2. Compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary;
3. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees;
4. Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)

### **SUPPORTING DOCUMENTATION**

- 1) Copies of payroll tax reports filed with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year 2019 and first quarter 2020 (if available)
- 2) Copies of payroll reports for the preceding 12 months. Such reports should include Gross Wages including PTO (which might include vacation, sick, and other PTO). This includes payroll reports through the pay period preceding the origination of the SBA loan. Do need some documentation to demonstrate employees were being paid near or around February 15, 2020.
- 3) Documentation reflecting the health insurance premiums paid by the company under a group health plan including owners of the company for the immediately preceding 12 months prior to the date of the SBA loan origination. Copies of the monthly invoices would suffice.
- 4) Documentation of all retirement plan funding by the employer for the immediately preceding 12 months. Copies of workpapers, schedules and remittances to the retirement plan coordinator should be sufficient.