

# PPP Webinar Series

## First Draw PPP Loans

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February 24, 2021



# Presenters:



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# Disclaimer

This presentation is furnished for informational use only. It is not intended to be comprehensive, nor does it constitute legal, accounting, tax or other professional advice. We encourage you to consult with your legal, tax and/or accounting professional for specific advice. This presentation is based on information available as of the first date and time of delivery of this presentation. Due to the evolving nature of the regulations and agency guidance addressing the Paycheck Protection Program, all information in this presentation is subject to change without notice.

First Bank recommends a thorough review of the CARES Act, PPP Flexibility Act, Economic Aid Act, and SBA Interim Final Rules, these documents can be found at [First.Bank](https://www.firstbank.com)



# PPP Updates as of February 22, 2021

- Effective February 24, an exclusive 14-day window when only businesses with fewer than 20 employees are eligible to apply.
- \$1 billion for sole proprietors, independent contractors, and self-employed individuals in low to moderate income areas.
- Revise loan calculation formula for sole proprietors, independent contractors, and self-employed individuals (Schedule C filers), awaiting SBA Interim Final Rule.
- Eliminate a rule restricting businesses at least 20% owned by an individual who was arrested for or convicted of a felony related to financial assistance fraud in the previous five years or any other felony within the previous year; restriction will only apply to businesses with applicants or owners who are incarcerated from receiving PPP loan.
- Eliminate a rule restricting businesses at least 20% owned by an individual who is delinquent on student debt from receiving PPP loans.
- Clarify that non-citizens may apply using individual tax payer identification numbers.
- To prompt more applicants to report demographic data, move demographic data to first page of application.



# First Draw PPP Loan

- Available if you have not received a PPP loan.
- Eligible for businesses with up to 500 W-2 employees.
- 1099 Contractors are eligible to apply for their own PPP loan.
- Expanded allowable usage of PPP proceeds, 60% of proceeds used for payroll.
- Expanded eligible borrowing entities.
- Requires certification that business has been impacted by COVID-19 and needs this funding.
- If you are not yet a client of First Bank, a matching business account will need to be open as you will use that account number for funding in your application.
- Program ends March 31, 2021

# PPP Borrower Eligibility

Who can apply for First Draw PPP loan:

- Business Entities (partnerships, corporations, LLC)
- Sole Proprietors, independent contractors, self-employed individuals
- 501 (c)(3)
- 501 (c) (6)
- 501 (c)(19)
- Veterans organizations, Tribal businesses, housing cooperatives, destination marketing organizations, and eligible news organizations
- *A listing of ineligible borrowers can be found in the appendix.*

# Allowable Uses for PPP Loan Proceeds

- Payroll Costs\*
- Mortgage Interest
- Rent
- Utilities
- Worker Protection Costs related to COVID-19\*
- Uninsured property damage costs caused by looting or vandalism during 2020\*
- Certain Supplier Costs and Expenses for Operation\*

\* see appendix for detailed information regarding these allowable costs



# PPP Loans Terms & Conditions

- The SBA guarantee is 100%.
- No collateral required.
- No personal guarantees required.
- Interest Rate: one percent (1%), fixed rate on a non-compounding basis.
- Maturity: 5 years
- Principal and interest deferred up to 10 months after the end of the selected covered period up to 24 weeks.
- 60% of PPP loan proceeds must be used for payroll cost during an 8-24 week period.



# PPP Loan: Full Forgiveness Terms

PPP loans made to eligible borrowers qualify for full loan forgiveness if during the 8-to-24 week covered period following loan disbursement:

- Employee count and compensation levels are maintained in the same manner.
- The loan proceeds are spent on payroll costs and other eligible expenses.
- At least 60% of the loan proceeds are spent on payroll costs.

# Calculating Loan Amount for Schedule C filers with no employees



Q: I am **self-employed and have no employees**, how do I calculate my maximum First Draw PPP Loan Amount?

A: 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)

## Steps:

1. 2019 or 2020 IRS Form 1040 Schedule C line 31 Net Profit Amount.
  - 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.
2. Calculate the average monthly net profit amount (divide the amount from step 1 by 12).
3. Multiply the average monthly net profit amount from step 2 by 2.5.

# Calculating Loan Amount for Schedule C filers with no employees



## Documentation required to support the loan amount requested:

- IRS Form 1040 Schedule C to substantiate the applied for PPP loan amount. If using 2020 IRS Form 1040 Schedule C, this form needs to be completed but does not need to be filed at loan application.
- Independent Contractors: In addition to Schedule C, provide 2019 IRS Form 1099-MISC detailing non-employee compensation received (box 7), or IRS Form 1099-K.
- If using 2020 tax documents, then provide proof of operation on February 15, 2020 such as an invoice, bank statement, or book of record establishing you were in operation on February 15, 2020

# Calculating Loan Amount for Schedule C filers with employees



Q: I am **self-employed and have employees**, how do I calculate my maximum First Draw PPP Loan Amount?

A: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed and have 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)

## Steps:

1. 2019 (or 2020) IRS Form 1040 Schedule C line 31 Net Profit Amount. If this amount is over \$100,000 reduce it to \$100,000. If this amount is zero or less, set this amount at zero.
2. 2019 (or 2020) 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 calculated by using:
  - IRS Form 941 Taxable Medicare wages and 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 and tips, and
  - Minus (i) any amount 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 of the United States.
  - Plus, 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).
  - Plus employer contributions to employee retirement plans (IRS form 1040 Schedule C line 19); and
  - Plus employer state and local taxes assessed on employee compensation, state quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)

# Calculating Loan Amount for Schedule C filers with employees



## Steps, continued:

3. Calculate the average monthly payroll costs amount (Add amounts from Step 1 and Step 2 together, divide that amount by 12).
4. Multiply the average monthly payroll costs amount from step 3 by 2.5.

## Documentation to substantiate the applied for PPP Loan Amount:

- IRS Form 1040 Schedule C
- IRS Form 941 (four quarters for 2019 or 2020 same period as Schedule C)
- State quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)
- Documentation of any retirement or group health, life, disability, vision, and dental contributions
- If using 2020 tax documents, provide proof of operation as of February 15, 2020 such as a payroll statement or similar documentation from the pay period that covered February 15, 2020. This must be provided to establish you were in operation and had employees on that date.

# Calculating Loan Amount for Limited Liability Corporations (LLC)



**Q: I am an LLC owner which set of instructions applies to me?**

A: LLC entities 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.

**Q: If I file 1120-S and do not have 941 forms do I qualify for PPP loan?**

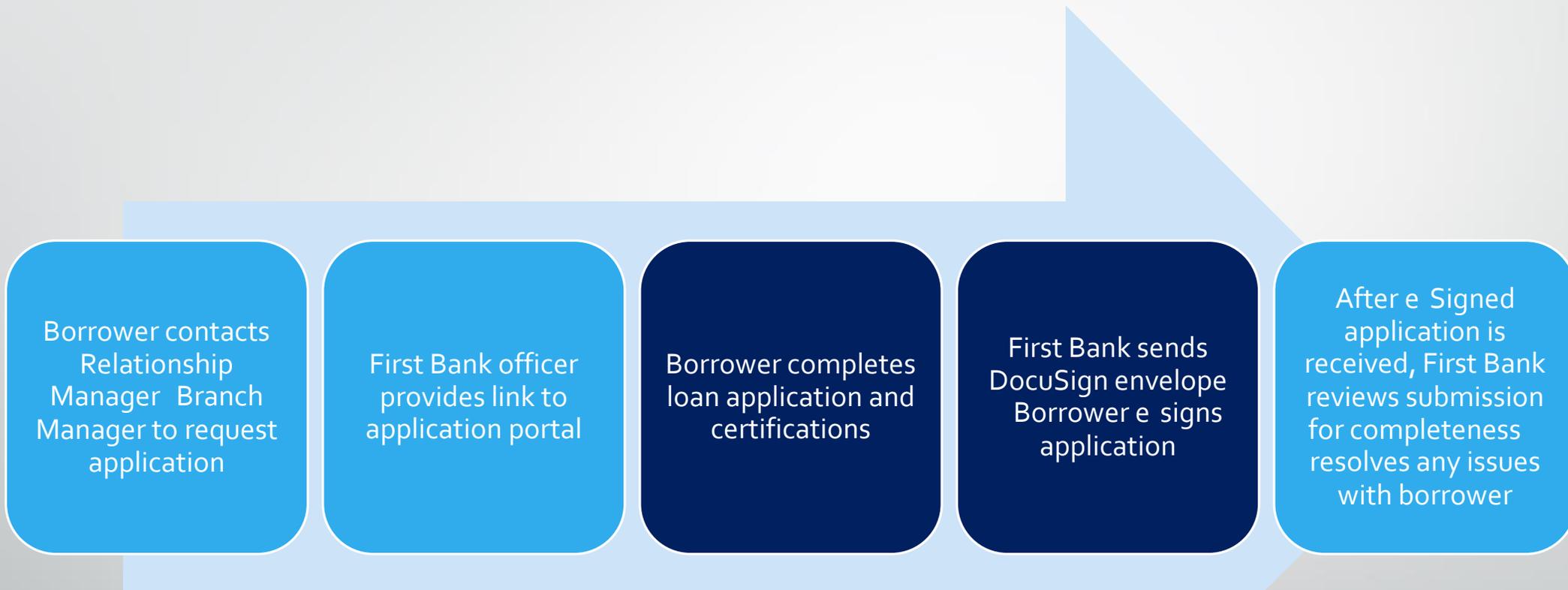
A: If you file 1120-S and you only pay yourself through K-1 distributions, this income does not qualify as payroll for PPP loan purposes.

# Economic Aid Act: Simplified Forgiveness Forms for PPP Borrowers of \$150,000 and below

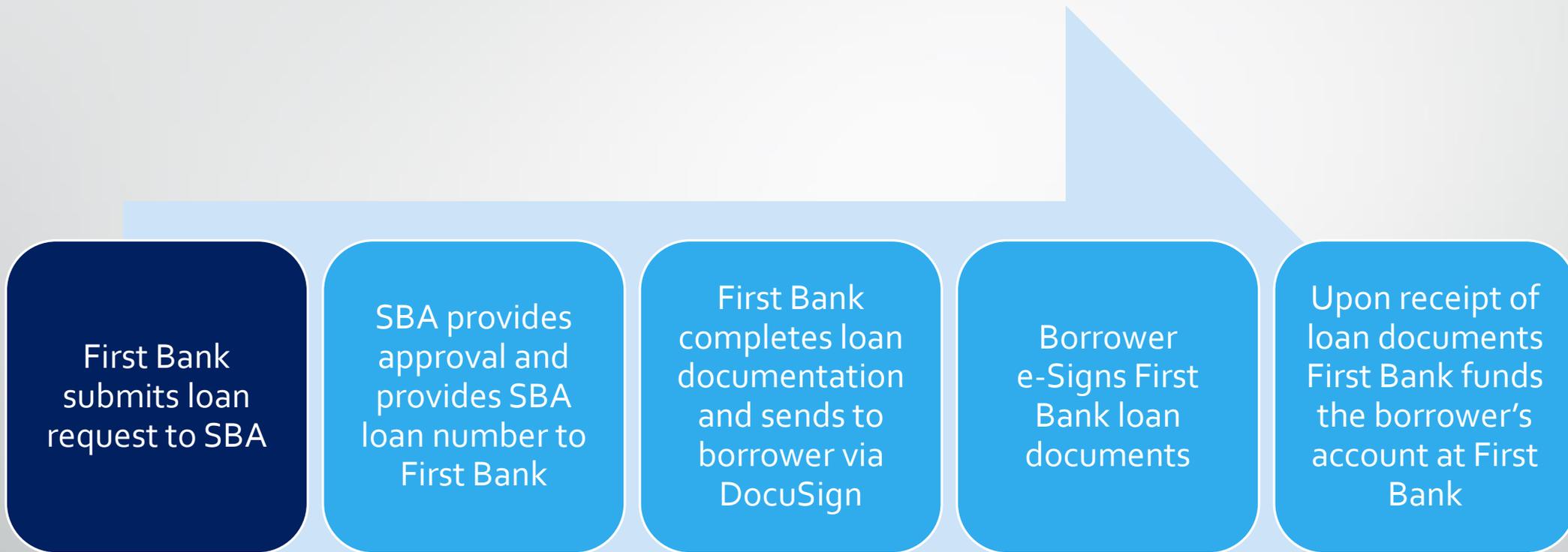


- Simplified application for loans under \$150,000 (previously  $\leq$  \$50,000), with requirements & limitations including:
  - Borrower will receive forgiveness if a one page certification is provided to the lender that all funds were used consistent with program guidelines.
  - The certification will include a description of number of employees, estimated loan amount spent on payroll and total loan amount.
  - Records are required to be retained by borrower for up to 4 years.
  - All PPP loans not previously forgiven will be eligible for short form forgiveness.
- New Forgiveness application forms from the SBA, with First Bank implementation on March 5.

# First Bank PPP Process



# First Bank PPP Process



# First Bank Portal Overview

## Overview:

- Once a client enrolls in the portal, they will complete each tab.
- Ability to save and return to the portal at anytime.
- Options to click through for SBA instructions and definitions. (Blue Boxes that indicate click here)
- Asterisks indicate required fields
-  indicates additional information available
- All fields correspond with fields on SBA loan forms

## Tab 1 Directions:

- Review all certifications and check Certify Box.

Paycheck Protection Program - Borrower Application  
Application Number: PPPLAR0001241

**Directions** Business Info\* Ownership Info Attachments Demographics Review\*

**Purpose of Form:**

- This form is to be completed by the authorized representative of the Applicant and submitted to your SBA Participating Lender.
- Submission of the requested information is required to make a determination regarding eligibility for financial assistance.
- Failure to submit the information would affect that determination.

**Instructions:**

- Please be sure to read through the instructions for completing the PPP Borrower Application form carefully before continuing.

[Click for Instructions](#)

**Certification:**

I certify that:

- I have read the statements included in this form, including the Statements Required by Law and Executive Orders, and I understand them.
- The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) and the Department of the Treasury (Treasury) implementing the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Paycheck Protection Program Rules).
- The Applicant, together with its affiliates (if applicable), (1) is an independent contractor, self-employed individual, or sole proprietor with no employees; (2) if not a housing cooperative, eligible 501(c)(6) organization, or eligible destination marketing organization, employs no more than the greater of 500 employees or, if applicable, the size standard in number of employees established by SBA in 13 C.F.R. 121.201 for the Applicant's industry; (3) if a housing cooperative, eligible 501(c)(6) organization, or eligible destination marketing organization, employs no more than 300 employees; (4) if NAICS 72, employs no more than 500 employees per physical location; (5) if a news organization that is majority owned or controlled by a NAICS code 511110 or 5151 business or a nonprofit public broadcasting entity with a trade or business under NAICS code 511110 or 5151, employs no more than 500 employees (or, if applicable, the size standard in number of employees established by SBA in 13 C.F.R. 121.201 for the Applicant's industry) per location; or (6) is a small business under the applicable revenue-based size standard established by SBA in 13 C.F.R. 121.201 for the Applicant's industry or under the SBA alternative size standard.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All loan proceeds will be used only for business-related purposes as specified in the loan application and consistent with the Paycheck Protection Program Rules including the prohibition on using loan proceeds for lobbying activities and expenditures. If Applicant is a news organization that became eligible for a loan under Section 317 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, proceeds of the loan will be used to support expenses at the component of the business concern that produces or distributes locally focused or emergency information.
- I understand that SBA encourages the purchase, to the extent feasible, of American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.
- Any EIDL loan received by the Applicant (Section 7(b)(2) of the Small Business Act) between January 31, 2020 and April 3, 2020 was for a purpose other than paying payroll costs and other allowable uses for loans under the Paycheck Protection Program Rules.

<< Prev Save Application Submit Application Next >>

# First Bank Portal Overview

## Tab 2 Business Info:

### 1) General Business Info:

- Complete all required fields
- NAICS codes available by clicking 
- Address verification: match exactly as displayed

### 2) Loan Info (red box)

- Is this First Loan? Y/N drop down  
This response provides the appropriate fields to the applicant
- Requires Relationship Manager Name

### 3) Payroll Info

- Average Monthly Payroll Definition (red box) provides SBA definition

### 4) Purpose for loan (select all that apply)

Application Number: PPPLAR0001103

Directions **Business Info\*** Ownership Info\* Attachments\* Demographics Review\*

#### Business Info

Sole proprietor  SSN

Business Type\* Business TIN (EIN/SSN) ⓘ

Business First Name\*  Business Last Name\*

NAICS Code ⓘ (code lookup)\* Applicant (including affiliates, if applicable) Meets Size Standard\* Date of Establishment ⓘ\*

✖ Invalid NAICS Code

#### Contact Info

Primary Contact\*  Email Address ⓘ\*  Business Phone Number\*

#### Business Address

Address Line 1 ⓘ\*  Address Line 2

City\*  State\*   + Zip Code (with 4 digit code) (code lookup)\*

#### Loan Info

Is this your first PPP Loan?\*

First Bank Funding Account Number ⓘ\*

Who is your First Bank Relationship Manager?

Did you receive an EIDL Loan? ⓘ\*

#### Employee Payroll Info

Number of Employees (max 500) ⓘ\*  Average Monthly Payroll ⓘ\*

**Avg. Monthly Payroll Definition**

Requested Loan Amount (whole numbers no decimals)\*

Average Monthly Employees Payroll X 2.5 + EIDL (do not include any EIDL advance) equals Loan Request Amount, up to a maximum of \$10,000,000 ⓘ

#### Purpose For Your Loan\*

Please select purpose of loan. (More than one selection allowed.)

<input type="checkbox"/> Payroll	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities	<input type="checkbox"/> Covered Operations Expenditures
<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures	<input type="checkbox"/> Other

# First Bank Portal Overview

## Tab 2 Business Info:

Sole Proprietors will receive Validation Alert:

- 1) When Entering TIN
- 2) When Entering Number of Employees

Sole Proprietor claiming themselves only will use SSN and personal First and Last Name

Sole Proprietor claiming more than 1 employee will use EIN and personal First and Last Name as business name

Validation Alert

For Sole Proprietor, include yourself in count of employees.

If number of employees including yourself is greater than 1, please use Business EIN. When you enter the number of employees below, the type field will automatically change to EIN.

If number of employees including yourself is 1, please use Social Security Number.

If you have any questions about specific requirements please contact your Relationship Manager.

[Close](#)

# First Bank Portal Overview

## Tab 3 Ownership Info :

### Overview:

- Requires information of all owners greater than 20%
- Must document ownership of at least 50%
- Ownership Type: Person or Business
- Applicant Owner button (red box) provides SBA definition of owner

Directions Business Info **Ownership Info** Attachments Demographics Review\*

**Applicant Ownership:**

List all owners of 20% or more of the equity of the Applicant. Total ownership listed must be greater than 50%. Attach a separate sheet if necessary on the attachments tab.

**Applicant Owner Definition**

**Applicant Owner #1's Info:**

Personal	50	Jillian	Vito
Owner Type #1*	Ownership % *	Owner's First Name	Owner's Last Name
Owner	333442222	SSN	
Title *	TIN/SSN*		
123 Main Street		Address Line 2	
Address Line 1 *			
Hazelwood	MO	63042	0000 +
City *	State*	Zip Code(with 4 digit code) *	

# First Bank Portal Overview

## Tab 3 Ownership Questionnaire :

- After completing ownership information, applicants will complete questionnaire
- Applicants select Yes or No for each question

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Ownership Questionnaire:

*Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?*  Yes  No

*Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?*  Yes  No

*Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including a management agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.*  Yes  No

*Did the Applicant receive an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.*  Yes  No

*Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction?*  Yes  No

*Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)?*  Yes  No

*Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above?*  Yes  No

*Is the Applicant a franchise?*  Yes  No

*Is the franchise listed in the SBA's Franchise Directory?*  Yes  No

*If yes, enter the SBA Franchise Identifier Code below: (SBA Franchise Code lookup)*

# First Bank Portal Overview

## Tab 4 Attachments:

- Applicants will load attachments in the proper fields
- First Bank will validate the attachments and contact Applicant for additional information
- Requests for additional documentation or clarification of application between First Bank and Applicant will occur through the Portal

Paycheck Protection Program - Borrower Application  
Application Number: PPPLAR0001241

Directions Business Info Ownership Info **Attachments** Demographics Review

Required Documentation:  
The following items must be submitted with your application. Upload files for each requirement using the Upload Files button.

Copies of payroll tax reports filed with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year of 2019 and first quarter of 2020 (if available) should be presented.

Payroll Tax Reports.pdf (97.6 KB) 13d ago

Copies of payroll reports for each pay period for the preceding 12 months. Such reports should include gross wages including PTO (which may include vacation, sick, and other PTO). This includes payroll reports through pay period preceding the origination of the subject application.

Payroll Reports by Pay Period.pdf (97.6 KB) 13d ago

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 should suffice.

# First Bank Portal Overview

## Tab 5 Demographic Info:

- Borrowers may complete the optional demographic information
- Additional SBA Information regarding Demographic Information collection available in the click for instructions box

Paycheck Protection Program - Borrower Application  
Application Number: PPPLAR0001241

Directions Business Info Ownership Info Attachments **Demographics** Review

Voluntary Disclosures (Optional)  
Disclosure is voluntary and will have no bearing on the loan application decision.

[Click for Instructions](#)

Principal Name Principal Position Veteran Status

Gender Ethnicity

American Indian or Alaska Native  Asian  Black or African-American  
 Native Hawaiian or Pacific Islander  White  Not Disclosed

<<Prev Save Application Submit Application Next >>

# First Bank Portal Overview

## Tab 6: Review

- Applicants will review final application before submitting application.
- click Submit Application Button

Paycheck Protection Program - Borrower Application  
Application Number: PPPLAR0001241

Directions Business Info Ownership Info Attachments Demographics **Review\***

**Business Info**

<b>Business Legal Name:</b> Vito's Catering	<b>Business DBA or Trade Name:</b> Partnership	<b>Business TIN/EIN/SSN:</b> 987654321
<b>Business Type:</b> Partnership	<b>Business Start Date:</b> March 8, 2017	<b>NAICS Code:</b> 445299 - All Other Specialty Food Stores

**Business Address**

<b>Address Line 1:</b> 650 James S McDonnell Blvd	<b>Address Line 2:</b> Hazelwood, MO 63042
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**Contact Info**

**Contact Name:**  
Jillian Vito

**Loan Info**

**Is this your first loan?**  
Yes

**Employee Payroll**

<b>Average Payroll:</b> 60000
<b>Total Employees:</b> 4

**Ownership Info:**

**Owner Name:**

**Owner TIN/SSN:**  
333442222

debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?

2) Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is (a) currently delinquent, or (b) has defaulted in the last 7 years and caused a loss to the government?  Yes  No

3) Is the Applicant or any owner of the Applicant an owner of any other business, or have common management (including an agreement) with any other business? If yes, list all such businesses (including their TINs if available) and describe the relationship on a separate sheet identified as addendum A.  Yes  No

4) Did the Applicant receive an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.  Yes  No

5) Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant presently incarcerated or, for any felony, presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction?  Yes  No

6) Within the last 5 years, for any felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance, or within the last year, for any other felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; or 4) commenced any form of parole or probation (including probation before judgment)?  Yes  No

7) Is the United States the principal place of residence for all employees included in the Applicant's payroll calculation above?  Yes  No

8) Is the Applicant a franchise?  Yes  No

9) Is the franchise listed in the SBA's Franchise Directory?  Yes  No

<< Prev Save Application **Submit Application** Next >>

# First Bank Portal to SBA Application

## Next Step:

- Applicants will receive a DocuSign envelope to complete the application submission process
- All information entered through the Portal will be loaded into the SBA Borrower Application (Form 2483) for eSignature.
- Applicant must complete the eSignature process in DocuSign in order to complete the application process with First Bank.



**Paycheck Protection Program**  
Borrower Application Form Revised January 8, 2021

OMB Control No.: 3245-0407  
Expiration Date: 7/31/2021

Check One: <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent Contractor <input type="checkbox"/> Self-Employed Individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(6) organization <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Housing cooperative <input type="checkbox"/> Tribal Business <input type="checkbox"/> Other		DBA or Tradename (if applicable)	Year of Establishment (if applicable)
Business Legal Name		NAICS Code	Applicant (including affiliates, if applicable) Meets Size Standard (check one): <input type="checkbox"/> No more than 500 employees (or 300 employees, if applicable) <input type="checkbox"/> SBA industry size standards <input type="checkbox"/> SBA alternative size standard
Business Address (Street, City, State, Zip Code - No P.O. Box addresses allowed)		Business TIN (EIN, SSN)	Business Phone
		Primary Contact	Email Address
Average Monthly Payroll:	\$	x 2.5 + EIDL (Do Not Include Any EIDL Advance) equals Loan Request Amount:	\$
Purpose of the loan (select all that apply):	<input type="checkbox"/> Payroll Costs	<input type="checkbox"/> Rent / Mortgage Interest	<input type="checkbox"/> Utilities
	<input type="checkbox"/> Covered Property Damage	<input type="checkbox"/> Covered Supplier Costs	<input type="checkbox"/> Covered Worker Protection Expenditures
			<input type="checkbox"/> Covered Operations Expenditures
			<input type="checkbox"/> Other (explain):

**Applicant Ownership**  
List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

I acknowledge that the Lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorizing the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA requirements.

Signature of Authorized Representative of Applicant

Date

Print Name

Title

SBA Form 2483 (1/21) 2

# Resources



- US Department of Treasury  
<https://home.treasury.gov/>



- Small Business Association  
<https://www.sba.gov/>



- First Bank's COVID-19 web page  
<https://www.first.bank/>



# Appendix

# Resources at First.Bank COVID-19 page



## COVID 19 EMERGENCY PREPAREDNESS

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Supporting Businesses

Supporting Consumers

### Webinar: Paycheck Protection Program- Important Information for First Draw Borrowers

Wednesday, February 24, 2021  
11:00 am – 12:00 pm Central

Join us to learn more about the Paycheck Protection Program for First Draw Borrowers, including program details, eligibility, and how to apply with First Bank.

Our Special Guests include:

- Tim Fogerty, Managing Director, First Bank Commercial Banking
- Kate Mayfield, Director of Credit Underwriting, First Bank

[Register Now](#)

### Past Webinars

As Paycheck Protection Program continues and businesses begin re-opening, we know you have questions. In support of our clients and business owners throughout our communities, First Bank has put together group of experts to discuss the commonly asked COVID-19 related questions affecting your business and your employees.

[Deck: Economic Aid Impact: Important PPP Updates – 01/15/21](#)

[COVID Vaccinations: Can Employers Require? – 01/12/21](#)

[Deck: Family Business Resource Center PPP Webinar Series – 01/12/21](#)

[Focusing Your Sales Force in the COVID-19 Environment – 09/24/20](#)

# Resources at First.Bank COVID-19 page



## SBA Resource Center

- ✓ [Second Draw PPP Loans: How to Calculate Revenue Reduction and Maximum Loan Amounts Including What Documentation to Provide - 01/19/21](#)
- ✓ [SBA PPP How to Calculate Maximum Loan Amounts for First Draw PPP Loans and What Documentation to Provide - By Business Type](#)
- ✓ [SBA PPP Second Draw Borrower Application Form](#)
- ✓ [SBA PPP First Draw Borrower Application Form Revised](#)
- ✓ [SBA Guidance on Accessing Capital for Minority, Underserved, Veteran and Women-Owned Business Concerns - 01/06/21](#)
- ✓ [SBA IFR Paycheck Protection Program as Amended by Economic Aid Act - 01/06/21](#)
- ✓ [SBA IFR Second Draw Loans - 01/06/21](#)
- ✓ [SBA PPP IFR First Draw Increase](#)
- ✓ [CARES Act](#)
- ✓ [SBA PPP Loan Necessity Questionnaire \(Non-Profit Borrowers\)](#)
- ✓ [SBA PPP Loan Necessity Questionnaire \(For-Profit Borrowers\)](#)
- ✓ [SBA IFR Additional Revisions Loan Forgiveness \(Form 3508S\) and Loan Review Procedures - 10/08/20](#)
- ✓ [US Dept of Treasury Paycheck Protection Program FAQ - 10/07/20](#)
- ✓ [SBA EIDL Impact on Forgiveness - 09/24/20](#)
- ✓ [SBA IFR Forgiveness Owners and Non-Payroll Expense - 08/25/20](#)
- ✓ [SBA IFR Appeals of SBA Loan Review Decisions - 08/11/20](#)
- ✓ [SBA IFR Revisions to Loan Forgiveness - 06/22/20](#)
- ✓ [SBA IFR Revisions to First Interim Final Rule - 06/10/20](#)
- ✓ [SBA IFR Loan Review Procedures and Related Borrower and Lender Responsibilities - 05/27/20](#)
- ✓ [SBA IFR PPP Loan Forgiveness - 05/27/20](#)

# Calculating Loan Amount for Partnerships

**Q: How do partnerships apply for PPP Loans, how is the maximum first draw loan amount calculated?**

**Steps:**

- 1.** 2019 (or 2020) Schedule K-1 (IRS Form 1065): Net earnings from self-employment of individual U.S.-based general partners are that are subject to self-employment tax, multiplied by 0.9235 up to \$100,000 per partner. *(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.)*

Compute the net earnings from the 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
- (iii) Any depletion claimed on oil and gas properties

If this amount is over \$100,000, reduce it to \$100,000

If this amount is less than zero, set this amount to zero.

# Calculating Loan Amount for Partnerships

## Steps, continued:

1. See prior page
2. 2019 (or 2020) gross wages and tips paid to employees who principal place of residence is in the United States (if any), up to \$100,000 per employee, which can be computed by using:
  - 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 and tips.
  - Minus any amounts paid to any individual employee in excess of \$100,000 and any amounts paid to any employee whose principal place of residence is outside the United States
  - Plus employer contributions for employee (**but not the partner**) group health, life, disability, vision, and dental insurance, if any (portion of IRS Form 1065 line 19 attributable to these conditions)
  - Plus employer contributions to employee (but not the partner) retirement plans, if any (IRS Form 1065 line 18)
  - Plus employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms), if any.

# Calculating Loan Amount for Partnerships

## Steps, continued:

1. See prior page
2. See prior page
3. Calculate the Average Monthly Payroll costs (Add the amount from Step 1 and Step 2, divide that amount by 12)
4. Multiply the average monthly payroll costs from Step 3 by 2.5.

**Q: Should partners' self-employment income be included on the business entity level PPP Loan application or on a separate PPP loan application for each partner?**

**A:** Partners' self-employment income should be included on the partnership's PPP loan application. Individual partners may not apply for a separate PPP loan.

# Calculating Loan Amount for Partnerships

## Documentation to substantiate PPP loan amount:

- 2019 (or 2020) IRS Form 1065 (including K-1) must be provided to substantiate the applied for loan amount.
- If the Partnership has employees: 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) along with records of any retirement or group health, life, disability, vision, and dental insurance contributions must also be provided to substantiate the loan amount.
- If using 2020 tax documents, then proof of operation on February 15, 2020: If the partnership had employees: a payroll statement or similar documentation from the pay period that covered February 15, 2020. If the partnership had no employees, an invoice, bank statement, or book of record establishing the partnership was in operation on February 15, 2020.

# Calculating Loan Amount for S-Corporations and C-Corporations



## Steps to calculate the Maximum First Draw PPP loan amount for S-Corporations and C-corporations (up to \$10 million)

1. 2019 (or 2020) gross wages and tips paid to employees who principal place of residence is in the United States (if any), up to \$100,000 per employee, which can be computed by using:
  - 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 and tips.
  - Minus any amounts paid to any individual employee in excess of \$100,000 and any amounts paid to any employee whose principal place of residence is outside the United States.
  - Plus employer contributions to group health, life, disability, vision, and dental insurance, (IRS Form 1120 line 24, or IRS Form 1120-S line 18 attributable to these contributions).
  - Plus employer retirement contributions, if any (IRS Form 1120 line 23, or IRS Form 1120-S line 17)
  - Plus employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms), if any.

# Calculating Loan Amount for S-Corporations and C-Corporations



## Steps, continued:

1. See prior page
2. Calculate the average monthly payroll costs (divide the amount from Step 1 by 12)
3. Multiply the average monthly payroll costs from Step 2 by 2.5.

## Documentation required to substantiate loan amount:

- 2019 (or 2020) IRS Form 941 and state quarterly unemployment insurance tax reporting form for each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements)
- Documentation of any retirement and group health, life, disability, vision, dental insurance contributions
- If using 2020 tax forms then provide proof of operation on February 15, 2020 such as a payroll statement or similar documentation from the pay period that covered February 15, 2020 to establish operation and employees on that date.



# Other Documentation Options

**Q: What other documentation can an applicant provide for the purpose of substantiating payroll costs used to calculate the applied for First Draw PPP loan amount?**

**A:** An applicant may provide IRS Form W-2 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 942 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 employer health insurance contributions.

# PPP Loans: Allowable Payroll Cost

- Payroll costs consist of compensation to employees (whose principal place of residence is 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); payment for vacation, parental, family, medical, or sick leave (except those paid leave amounts for which a credit is allowed under FFCRA Sections 7001 and 7003); allowance for separation or dismissal;
- Payment for the provision of employee benefits consisting of group health care coverage (including insurance premiums), group life, disability, vision, or dental insurance, and retirement benefits; payment of state and local taxes assessed on compensation of employees; and, for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.
- For purposes of calculating “Average Monthly Payroll,” most Applicants will use the average monthly payroll for 2019 or 2020, excluding costs over \$100,000 on an annualized basis (\$20,833.33).

# Payroll Cost Calculation

- In general, section 307 of the Economic Aid Act provides that the maximum loan amount for a Second Draw PPP Loan is equal to the lesser of two and half months of the borrower's average monthly payroll costs or \$2 million. Relative to First Draw PPP loans, the Economic Aid Act adjusted the methodology for calculating a borrower's payroll costs. Unlike First Draw PPP Loans, the Economic Aid Act provides that the relevant time period for calculating a borrower's payroll costs for a Second Draw PPP Loan is either **the twelve-month period prior to when the loan is made** or **calendar year 2019**
- The Act also provided tailored methodologies for certain categories of borrowers. These calculations are reflected in subsection (f) of this IFR. Subsection (f) of the IFR uses "calendar year 2020" to refer to "the twelve-month period prior to when the loan is made." Calculating payroll costs based on calendar year 2020 rather than the twelve months preceding the date the loan is made will simplify the calculations and documentation requirements for borrowers because payroll records are more commonly created and retained on a calendar-year basis. Allowing borrowers to calculate payroll costs based on calendar year 2020 is also not expected to result in a significant difference in payroll costs compared to the twelve months preceding the date the loan is made because all Second Draw PPP Loans will be made in the first quarter of 2021. However, the rule notes that Second Draw PPP Loan 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 loan is made to calculate payroll costs if they choose not to use 2019 or 2020 to calculate payroll costs.

# PPP Loans: Excluded Entities



The Economic Aid Act also prohibits several additional categories of borrowers from receiving a Second Draw PPP Loan under section 7(a)(37) of the Small Business Act. These categories of prohibited borrowers are listed in subsection (e) of the IFR:

- a business concern or entity primarily engaged in political activities or lobbying activities, including any entity that is organized for research or for engaging in advocacy in areas such as public policy or political strategy or that describes itself as a think tank in any public documents;<sup>21</sup>
- certain entities organized under the laws of the People’s Republic of China or the Special Administrative Region of Hong Kong, or with other specified ties to the People’s Republic of China or the Special Administrative Region of Hong Kong
- any person required to submit a registration statement under section 2 of the Foreign Agents Registration Act of 1938 (22 U.S.C. 612)
- **a person or entity that receives a grant for shuttered venue operators under section 324 of the Economic Aid Act**
- Entities in which the President, the Vice President, the head of an Executive department, or a Member of Congress, or the spouse of such person owns, controls, or holds at least 20 percent of any class of equity;
- a publicly traded company, defined as an issuer, the securities of which are listed on an exchange registered as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).
- Subsection (e)(g) also prohibits an entity that has permanently closed from receiving a Second Draw PPP Loan because paragraph 7(a)(37)(A)(iv) of the Small Business Act is best understood to describe existing businesses

# PPP Loans: Allowable Costs



- Section 308: Specific Group Insurance Payments as Payroll Costs
  - Clarifies that other employer-provided group insurance benefits are included in payroll, including group life, disability, vision, or dental insurance. Effective date retroactive to CARES Act (March 2020)
- Section 304: Additional Eligible Expenses
  - Covered Operations Expenditures: payment for any software, cloud computing, and other human resources and accounting needs.
  - Covered Property Damage Costs: costs related to property damage due to public disturbances that occurred during 2020 that are not covered by insurance.
  - Covered Supplier Costs: expenditures to a supplier pursuant to a contract, purchase order, or order for goods in effect prior to taking out the loan that are essential to the recipient's operations at the time at which the expenditure was made. Supplier costs of perishable goods can be made before or during the life of the loan.
  - Covered Worker Protection Expenditure: personal protective equipment and adaptive investments to help a loan recipient comply with federal health and safety guidelines or any equivalent State and local guidance related to COVID-19 during the period between March 1, 2020, and the end of the national emergency declaration.



Thank You