



# Payroll Protection Program Calculating Maximum Loan Amount

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# Key Principles

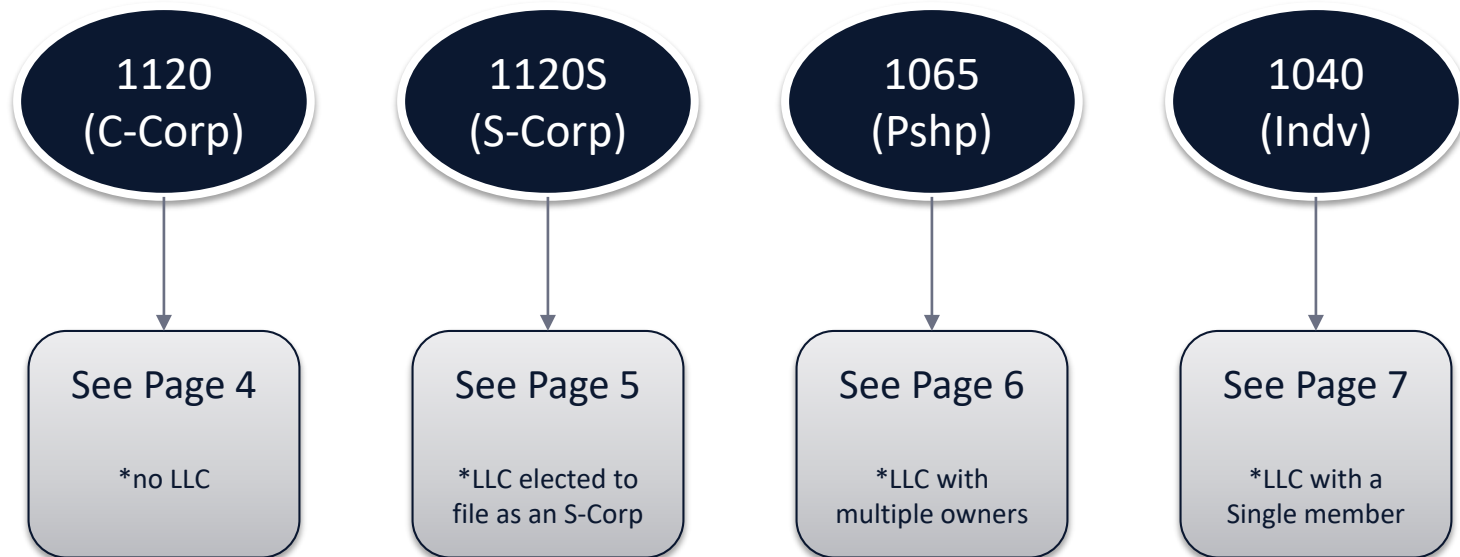
Key Principle #1: The nature of the income that applies to the PPP must be subject to either:

- Payroll tax (your employees' pay as reported on W2s); or
- Self-employment tax (your take-home pay as reported on your individual income tax return 1040)

Key Principle #2: You have determined that you qualify as an eligible small business

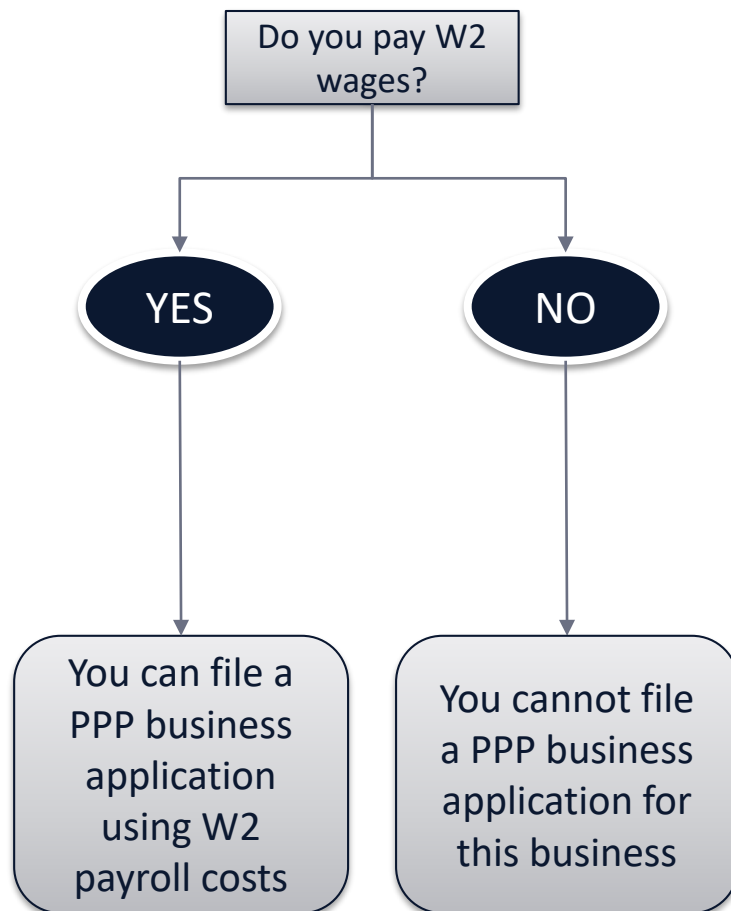
# Determine income tax treatment

What income tax form do you use to report your self-employed earnings?



See Pages 8 & 9 for Loan Calculations & Documentation Needs

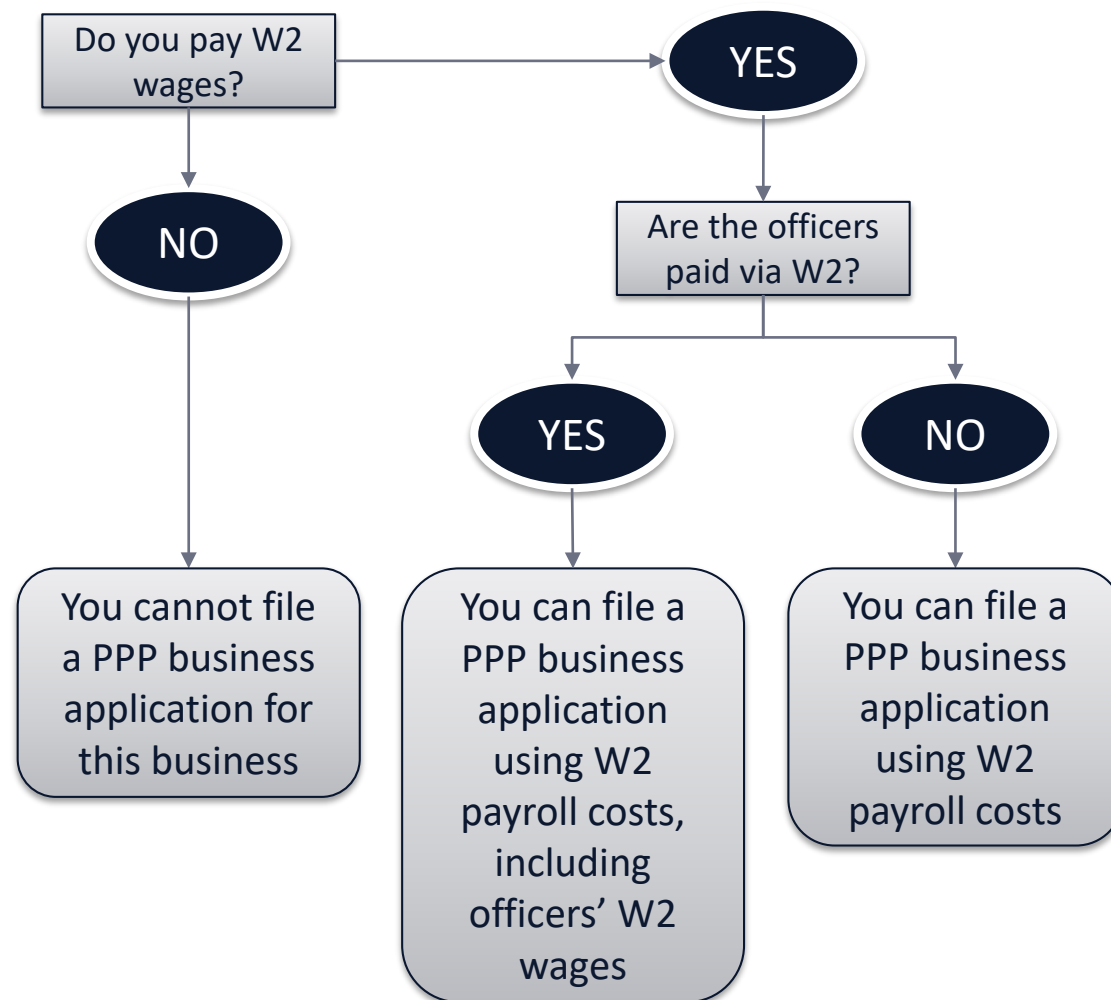
# 1120 – Filing as a C-Corporation



C-Corp dividends are not subject to Self-Employment tax and therefore are not eligible for an owner's payroll cost to go beyond W2 wages

# 1120S – Filing as an S-Corporation

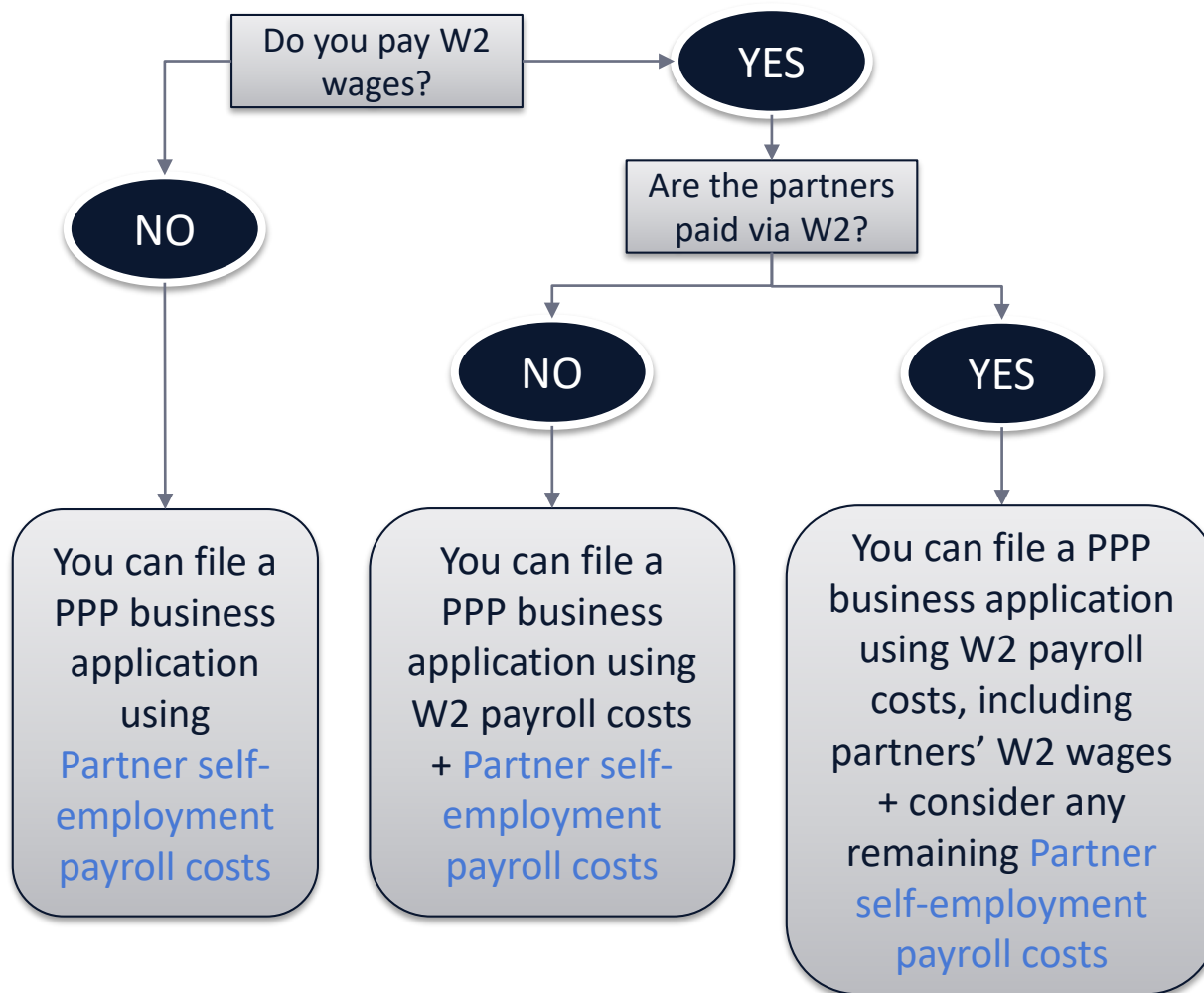
LLC's electing to file as an S-Corporation will follow these rules



S-Corp distributions and flow-through earnings are not subject to Self-Employment tax and therefore are not eligible for an officer's payroll cost to go beyond officer W2 wages

# 1065 – Filing as a Partnership

Partnerships and LLC's with more than one owner will follow these rules



## Partner Self-Employment Payroll Costs:

(for purposes of calculating partner payroll cost)

Guaranteed Payments

+

Income allocated to general active partners that is subject to SE tax

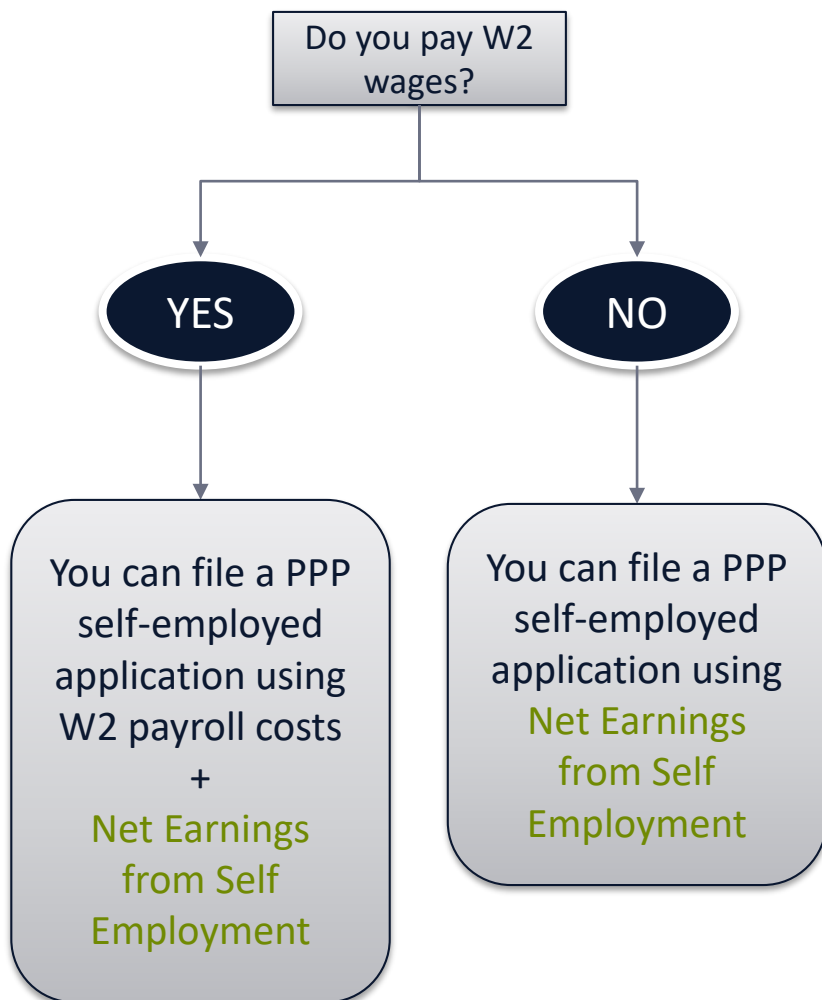
The above amounts are reported on Form 1065, Sch K-1, Box 14a, Net Earnings from self-employment

Multiple this amount by .9235 to determine "Partner payroll cost"

Each partner's payroll cost is limited to \$100K (annual)

# 1040 – Filing on your Individual return

Sole Proprietors and Single Member LLC's will follow these rules



## **Net Earnings from Self-Employment:**

(for purposes of calculating owner payroll cost)

Form 1040, Sch C, Line 31

Limited to \$100K annually per person

This is “Owner payroll cost”

Each spouse would file separately for their portion of Net Self-Employment income, each limited to an annual \$100K;

Note that each Sch C and 1099-MISC are assigned to a specific taxpayer

For those reporting their income on a Form 1040, Sch F, use Line 34 (net farm profit) in place of Form 1040, Sch C, Line 31  
Limited to \$100K annually per person

# PPP Loan Calculations

## Annual Payroll Costs

Sum of the following:

- Gross Wages per W2 EE\*
- Employee Benefits (Ins, 401K)
- State & Local ER Taxes (SUTA)
- **Partner Payroll costs (1065)\***
- **Owner Payroll costs (1040)\***

\*Limited to \$100K annual per person

Payroll Costs NOT included:

- Gross Wages, **Partner/Owner payroll costs** that are beyond \$100K
- Partner/Owner Benefits (Ins, 401K)
- Payments to Independent Contractors (1099)

## PPP Loan Calculation

Annual payroll costs / 12 =  
Monthly payroll costs

Monthly payroll costs x 2.5 =  
**PPP Loan amount**

## Annual Employee Payroll Cost Date range Options

(Generally) Calendar Year 2019\*\*  
(Optional) 12 months ended January,  
February, or March 2020  
(Seasonal) Annualized wages from March  
1, 2019 – June 30, 2019

\*\*Partner Payroll Costs (1065) MUST be  
Calendar Year 2019 based Sch K-1, box 14a

\*\*Owner Payroll Costs (1040) MUST be  
Calendar Year 2019 based Sch C, Line 31



# Documentation Needed

## Business App

Payroll Calculator  
2019 941s  
2019 SUTA filings  
2019 benefits pmts  
2/15/20 PR report  
Business Tax Return  
2019 1065 Sch K-1s  
Financial Statements  
Additional requests

\*If you are including  
Partner Payroll Costs

## Sole Proprietor with NO Employees

2019 Sch C completed  
2019 1099-MISC's rec'd  
Financial Statements  
Feb 2020 Bank Statement  
Additional requests

## Sole Proprietor with Employees

2019 Sch C completed  
2019 1099-MISC's rec'd  
Financial Statements  
Feb 2020 Bank Statement  
Payroll Calculator  
2019 941s  
2019 SUTA filings  
2019 benefits pmts  
2/15/20 PR report  
Additional requests

## If working with a New Relationship Lender

Driver's License(s) of owners 20% and up  
Bank statements for past 6 months  
Voided check for account where funds will be deposited  
Additional requests per lender

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