



How to calculate your PPP loan amount

Method 3: Schedule C, with employees

What we will cover

- What documents you'll need to gather
- How to calculate your loan amount
- Example

Gather the following documents

- 2019 Schedule C or 2020 Schedule C

If you are using 2020 to calculate payroll costs and have not yet filed a 2020 tax return, please complete the 2020 Schedule C form to the best of your ability and compute the value. The loan calculation is based on Schedule C Line 31 (shown here)

SCHEDULE C
(Form 1040 or 1040-SR)

Profit or Loss From Business
(Sole Proprietorship)

OMB No. 1545-0074
2019
Attachment
Sequence No. **09**

Department of the Treasury
Internal Revenue Service (IRS) ▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor: _____ Social security number (SSN): _____

A Principal business or profession, including product or service (see instructions): _____ **B** Enter code from instructions: _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.): _____

E Business address (including suite or room no.) ▶ _____
City, town or post office, state, and ZIP code: _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____

G Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2019, check here Yes No

I Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) Yes No

J If "Yes," did you or will you file required Forms 1099? Yes No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked	1
2	Returns and allowances	2
3	Subtract line 2 from line 1	3
4	Cost of goods sold (from line 42)	4
5	Gross profit. Subtract line 4 from line 3	5
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6
7	Gross income. Add lines 5 and 6	7

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	18	Office expense (see instructions)	18
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans	19
10	Commissions and fees	10	20	Rent or lease (see instructions):	20
11	Contract labor (see instructions)	11	a	Vehicles, machinery, and equipment	20a
12	Depletion	12	b	Other business property	20b
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance	21
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)	22
15	Insurance (other than health)	15	23	Taxes and licenses	23
16	Interest (see instructions):	16	24	Travel and meals:	24
a	Mortgage (paid to banks, etc.)	16a	a	Travel	24a
b	Other	16b	b	Deductible meals (see instructions)	24b
17	Legal and professional services	17	25	Utilities	25
26	Wages (less employment credits)	26	26	Wages (less employment credits)	26
27a	Other expenses (from line 48)	27a	27a	Other expenses (from line 48)	27a
27b	Reserved for future use	27b	27b	Reserved for future use	27b
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28
29	Tentative profit or (loss). Subtract line 28 from line 7	29	29	Tentative profit or (loss). Subtract line 28 from line 7	29
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040 or 1040-SR), line 3 (or Form 1040-NR, line 13) and on Schedule SE, line 2. (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31

Gather the following documents

- IRS Form 941 for Q1-Q4. Line 5c-Column 1 (shown below) will be added for each quarter. You will also need to supply State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020

Form **941 for 2020: Employer's QUARTERLY Federal Tax Return** 950120
 (Rev. July 2020) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

Employer identification number (EIN) -
 Name (not your trade name)
 Trade name (if any)
 Address
 Number Street Suite or room number
 City State ZIP code
 Foreign country name Foreign province/county Foreign postal code

Report for this Quarter of 2020
 (Check one.)
 1: January, February, March
 2: April, May, June
 3: July, August, September
 4: October, November, December
 Go to www.irs.gov/Form941 for instructions and the latest information.

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Sept. 12 (Quarter 3) or Dec. 12 (Quarter 4) 1

2 Wages, tips, and other compensation 2

3 Federal income tax withheld from wages, tips, and other compensation 3

4 If no wages, tips, and other compensation are subject to social security or Medicare tax Check and go to line 6.

	Column 1	Column 2
5a Taxable social security wages	<input type="text"/>	<input type="text"/>
5a (i) Qualified sick leave wages	<input type="text"/>	<input type="text"/>
5a (ii) Qualified family leave wages	<input type="text"/>	<input type="text"/>
5b Taxable social security tips	<input type="text"/>	<input type="text"/>
5c Taxable Medicare wages & tips <input type="text"/>	<input type="text"/>	<input type="text"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>	<input type="text"/>	<input type="text"/>

Gather the following documents

- IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes you are self-employed.
- You must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.

Follow these steps to calculate

Step 1

Compute 2019 or 2020 payroll (using the same year for all items) by adding the following

Your 2019 or 2020 Form 1040
Schedule C line 31 net profit
amount

- If you are using 2020 and have not yet filed a 2020 return, fill it out and compute the value)
- This figure can be up to \$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. If this amount is over \$100,000, reduce it to \$100,000.
- If this amount is less than zero, set this amount at zero

Follow these steps to calculate

Step 1

Compute 2019 or 2020 payroll (using the same year for all items) by adding the following

2019 or 2020 gross wages and tips paid to your employees

- Only include employees whose principal residence is in the U.S.
- Compute this by:
 - Using your 2019 or 2020 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
 - Subtract any amounts paid to any individual employee in excess of \$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 and any amounts paid to any employee whose principal place of residence is outside the U.S.

Follow these steps to calculate

Step 1

Compute 2019 or 2020 payroll (using the same year for all items) by adding the following

2019 or 2020 employer
contributions

This includes contributions to

- Employee group health, life, disability, vision and dental insurance (portion of IRS Form 1040 Schedule C line 14 attributable to those contributions)
- Retirement contributions (Form 1040 Schedule C line 19)
- State and local taxes assessed on employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms)

Follow these steps to calculate

Step 1 Summary

Compute 2019 or 2020 payroll (using the same year for all items) by adding the following:

- Your 2019 or 2020 Form 1040 Schedule C line 31 net profit amount
 - 2019 or 2020 gross wages and tips paid to your employees
 - 2019 or 2020 employer contributions

Step 2

Calculate the average monthly payroll amount (divide the amount from Step 1 by 12)

Step 3

Multiply the average monthly net profit amount from Step 2 by 2.5. *If is your second PPP loan and your business is assigned a NAICS code beginning with 72 (this is located in box B on the Schedule C), you can multiply by 3.5 instead of 2.5*

Example #1

Schedule C Line 31 is \$48,000

Annual employee payroll: \$120,000

Add \$48,000 and \$120,000 to get total payroll: \$168,000

Divide \$168,000 by 12 to get average monthly payroll: \$14,000

Multiply \$14,000 by 2.5 = \$30,000

Maximum loan amount is \$30,000

Example #2

Schedule C Line 31 is \$110,000

Annual employee payroll: \$120,000

The Schedule C is capped at \$100,000

Add \$100,000 and \$120,000 to get total payroll: \$220,000

Divide \$220,000 by 12 to get average monthly payroll: \$18,333

Multiply \$18,333 by 2.5 = \$45,833

Maximum loan amount is \$45,800 (rounded to the nearest hundred for accounting and documentation purposes)

Example #3

Schedule C Line 31 is (\$10,000)

Annual employee payroll: \$120,000

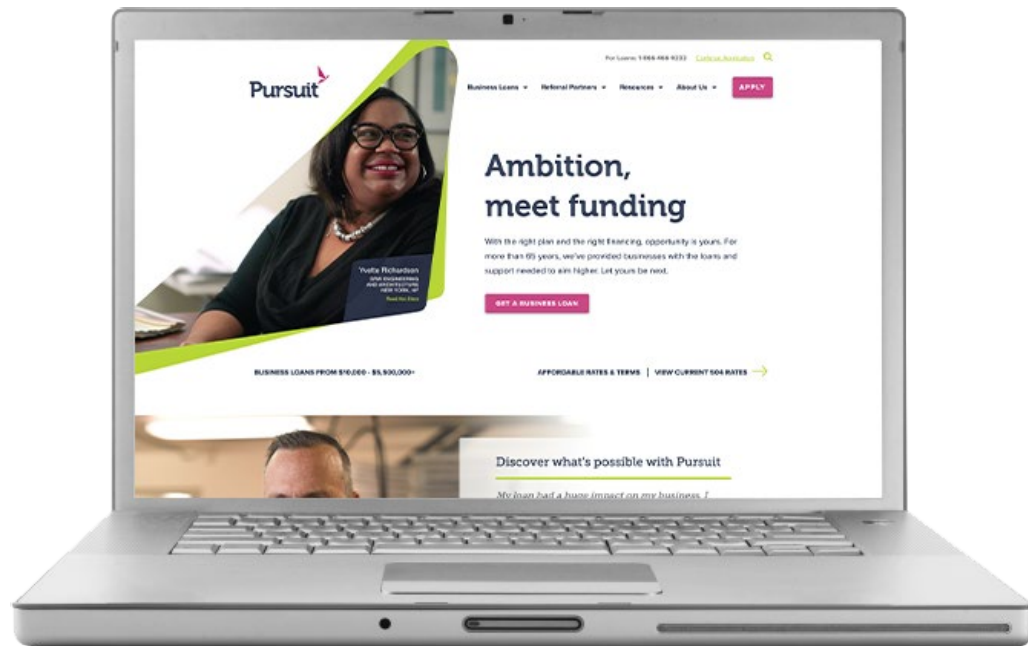
The Schedule C is set at \$0

Divide \$120,000 by 12 to get average monthly payroll: \$10,000

Multiply \$10,000 by 2.5 = \$25,000

Maximum loan amount is \$25,000

Helpful Pursuit resources



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- [Second Draw PPP Application FAQ](#)
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