



## **How to calculate your PPP loan amount**

**Method 4: Partnerships and other businesses that report on Form 1065**

# What we will cover

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

# Gather the following documents

- 2019 or 2020 (whichever you used to calculate loan amount) IRS Form 1065 (including K-1s as **Self Employment Income – Box 14A** is used for the calculation, as shown here)

65119  
OMB No. 1545-0123

Final K-1    Amended K-1

**Schedule K-1 (Form 1065)**    **2020**

Department of the Treasury  
Internal Revenue Service

For calendar year 2020, or tax year beginning / / 2020 ending / /

**Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items**

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital		
4c	Total guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
6c	Dividend equivalents	17	Alternative minimum tax (AMT) items
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	18	Tax-exempt income and nondeductible expenses
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	19	Distributions
11	Other income (loss)		
12	Section 179 deduction	20	Other information
13	Other deductions		
14	<b>Self-employment earnings (loss)</b>		
21	<input type="checkbox"/> More than one activity for at-risk purposes*		
22	<input type="checkbox"/> More than one activity for passive activity purposes*		

\*See attached statement for additional information.

**Part I Information About the Partnership**

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS Center where partnership filed return ▶

D  Check if this is a publicly traded partnership (PTP)

**Part II Information About the Partner**

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

G  General partner or LLC member-manager     Limited partner or other LLC member

H1  Domestic partner     Foreign partner

H2  If the partner is a disregarded entity (DE), enter the partner's:  
TIN \_\_\_\_\_ Name \_\_\_\_\_

H3 What type of entity is this partner?  
 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

Check if decrease is due to sale or exchange of partnership interest

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

Check this box if item K includes liability amounts from lower tier partnerships.

**L Partner's Capital Account Analysis**

Beginning capital account	\$
Capital contributed during the year	\$
Current year net income (loss)	\$
Other increase (decrease) (attach explanation)	\$
Withdrawals & distributions	\$(
Ending capital account	\$

**M** Did the partner contribute property with a built-in gain or loss?  
 Yes     No    If "Yes," attach statement. See instructions.

Use Only

# Gather the following documents

Employee payroll can come from one of the following:

- Annual payroll from payroll processor records (payroll reports can be from companies such as Paychex, ADP, Justworks, Gusto, and many others).
- IRS Form 940. Box #3 will be used for the calculation as shown here

Form **940 for 2020: Employer's Annual Federal Unemployment (FUTA) Tax Return** 850113  
Department of the Treasury -- Internal Revenue Service OMB No. 1545-0028

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

**Type of Return**  
(Check all that apply.)  
 a. Amended  
 b. Successor employer  
 c. No payments to employees in 2020  
 d. Final: Business closed or stopped paying wages  
Go to [www.irs.gov/Form940](http://www.irs.gov/Form940) for instructions and the latest information.

Read the separate instructions before you complete this form. Please type or print within the boxes.

**Part 1: Tell us about your return. If any line does NOT apply, leave it blank. See instructions before completing Part 1.**

1a If you had to pay state unemployment tax in one state only, enter the state abbreviation . . . . . 1a    
1b If you had to pay state unemployment tax in more than one state, you are a multi-state employer . . . . . 1b  Check here. Complete Schedule A (Form 940).  
2 If you paid wages in a state that is subject to CREDIT REDUCTION . . . . . 2  Check here. Complete Schedule A (Form 940).

**Part 2: Determine your FUTA tax before adjustments. If any line does NOT apply, leave it blank.**

3 Total payments to all employees . . . . . 3  .  
4 Payments exempt from FUTA tax . . . . . 4  .

# 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](http://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"/>
5d Taxable wages & tips subject to Additional Medicare Tax withholding <input type="text"/>	<input type="text"/>	<input type="text"/>

# Gather the following documents

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- Employee benefits consisting of group health care or group life, disability, vision, or dental insurance (including premiums), and retirement. Source documents could be:
  - Payroll processor records
  - Invoices
  - Account statements
- 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

- Net earnings from self-employment of individual general partners in 2019 or 2020. This is taken from Box 14 a of the 1065 K-1 statement. This is reduced by section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by 0.9235. *The net earnings from self-employment are capped at \$100,000 per partner.*
- Combine payroll costs from 2019 or 2020 for all employees whose principal place of residence is the United States. See our Payroll Costs Summary to determine this
- Subtract any compensation paid to an employee in excess of \$100,000. See Payroll Costs Summary for explanation

# Follow these steps to calculate

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## 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. *If this is your second PPP loan and your business is assigned a NAICS code beginning with 72 (this is located in box C on the 1065) can multiply by 3.5 instead of 2.5*



# Example #1: There are two owners

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*Self-Employment income per Box 14a of the first owner's 1065 Schedule K-1 is \$48,000*

*Self-Employment income per Box 14a of the second owner's 1065 Schedule K-1 is \$48,000*

*Annual employee payroll: \$120,000*

*Add \$48,000, \$48,000 and \$120,000 to get total payroll: \$216,000*

*Divide \$216,000 by 12 to get average monthly payroll: \$18,000*

*Multiply \$18,000 by 2.5 = \$45,000*

*Maximum loan amount is \$45,000*

## Example #2: There are three owners

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*Self-Employment income per Box 14a of the first owner's 1065 Schedule K-1 is \$108,000*

*Self-Employment income per Box 14a the second owner's 1065 Schedule K-1 is \$48,000*

*Self-Employment income per Box 14a the third owner's 1065 Schedule K-1 is \$48,000*

*Annual employee payroll: \$120,000*

*The first owner's self-employment income is capped at \$100,000*

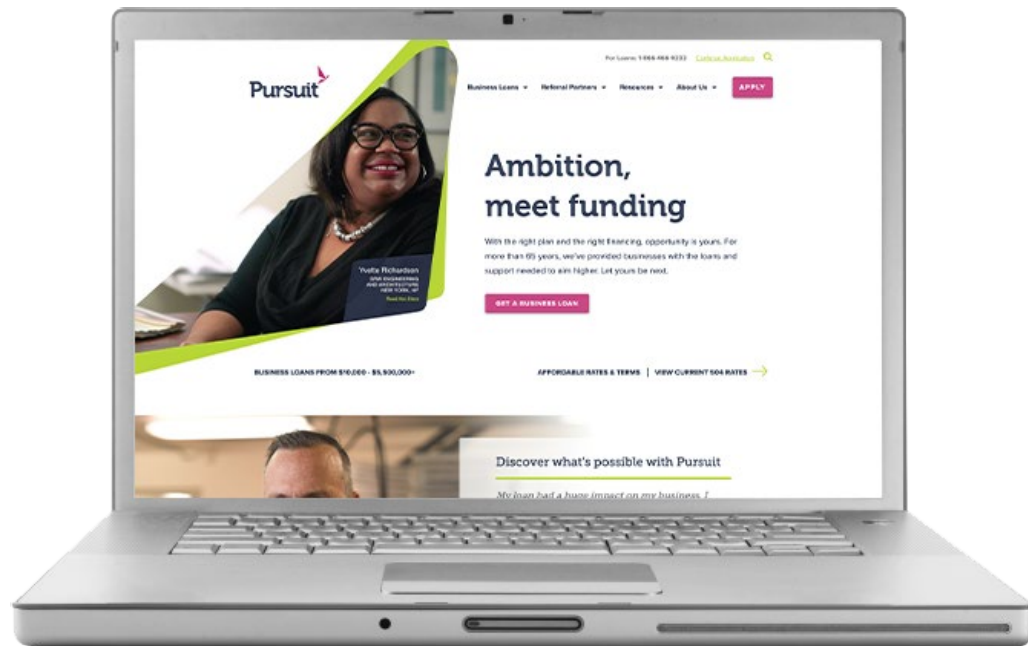
*Add \$100,000, \$48,000, \$48,000, and \$120,000 to get total payroll: \$316,000*

*Divide \$316,000 by 12 to get average monthly payroll: \$26,333*

*Multiply \$26,333 by 2.5 = \$65,832.50*

*Maximum loan amount is \$65,800 (rounded to the nearest hundred for accounting and documentation purposes)*

# Helpful Pursuit resources



## [PPP Application information hub](#)

- [Second Draw PPP Application FAQ](#)
- [Second Draw PPP loan information](#)
- [First Draw PPP Application FAQ](#)
- [First Draw PPP Loan information](#)