

Schedule C Filers Using Gross Income *with No Employees* for these Business Types: Independent Contractor, Sole Proprietor, or Self-Employed

The following methodology should be used to calculate the average monthly gross income amount for businesses with **one owner** whose **principal place of residence is in the United States**, has **no employees**, and wishes to use **gross income** from their **IRS Form 1040, Schedule C** to calculate their PPP loan amount for the following business types: **independent contractor, sole proprietor, or self-employed**. This form is **not** for partners in a partnership.

While in the online PPP Loan Application, select "Yes" to the question of whether applicant elects to calculate PPP loan amount using gross income.

This form may be completed using information from the year 2019 or 2020. Use the same 1-year period for each field below and select the same year for the **Tax Year Used for Gross Income** field in the PPP Loan Application.

Step 1

Enter into **Box 1** your IRS Form 1040 Schedule C line 7 gross income amount. If this amount is over \$100,000, reduce it to \$100,000. If this amount is zero or less (and your Schedule C line 31 net profit amount is zero or less), you are not eligible for a PPP loan. Enter the amount in **Box 1** in the **Gross Income Amount** box on the *Loan Request* page of the PPP Loan Application.

1

Step 2

Calculate the average monthly gross income amount. **Divide** the amount in **Box 1** by **12** and enter the resulting amount in **Box 2** (if more than \$8,333, enter \$8,333). The amount in Box 2 will appear in the **Average Monthly Adjusted Gross Income** box on the *Loan Request* page of the PPP Loan Application.

Average Monthly Adjusted Gross Income

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2

Step 3

Upload this Worksheet and all documents used to complete it to the **Documents** section of the PPP Loan Application. You **must** upload:

- Your IRS Form 1040 Schedule C for the selected year.
- IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes you are self-employed in the relevant year.
- A 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.
- *If you have not filed any of the requested IRS Forms, complete and upload them with your PPP Loan Application.*

Schedule C Filers Using Gross Income *with Employees* for these Business Types: Independent Contractor, Sole Proprietor, or Self-Employed

The following methodology should be used to calculate the average monthly payroll costs for businesses with **one owner, with employees**, who wish to use **gross income** from their **IRS Form 1040, Schedule C** to calculate their PPP loan amount for the following business types: **independent contractor, sole proprietor, or self-employed**.

See below on Page 12 for instructions for **seasonal businesses**.*

While in the online PPP Loan Application, select “Yes” to the question of whether applicant elects to calculate PPP loan amount using gross income.

This form may be completed using information from the year 2019 or 2020. Use the same 1-year period for each field below and select the same year for the **Tax Year Used for Gross Income** field in the PPP Loan Application.

Step 1

Enter into **Box 1** your IRS Form 1040 Schedule C line 7 gross income amount. Enter the amount in **Box 1** in the **Gross Income Amount** box on the *Loan Request* page of the PPP Loan Application.

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Step 2

Calculate your Schedule C employee expenses to be subtracted (in Step 3) from the gross income amount.

A

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Enter into **Box A** IRS Form 1040 Schedule C line 14 expense related to employee benefits program.

B

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Enter into **Box B** IRS Form 1040 Schedule C line 19 expense related to pension and profit-sharing plans.

C

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Enter into **Box C** IRS Form 1040 Schedule C line 26 expense related to wages (less employment credits).

2

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Add Box A, Box B, and Box C and enter the **Total** in **Box 2**. Enter the amount in **Box 2** in the **Employee Expenses** box on the *Loan Request* page of the PPP Loan Application.

3

Step 3

Calculate the owner adjusted gross income. Calculate **Box 1 minus Box 2** and enter the resulting amount in **Box 3**. If this amount is over \$100,000, reduce it to \$100,000. If this amount is less than zero, set this amount at zero. The amount in Box 3 will appear in the **Adjusted Gross Income** box on the *Loan Request* page of the PPP Loan Application.

Average Monthly Adjusted Gross Income

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Step 4

Calculate the owner average monthly adjusted gross income. **Divide Box 3** by **12** and enter the resulting amount in **Box 4** (if more than \$8,333, enter \$8,333). The amount in Box 4 will appear in the **Average Monthly Adjusted Gross Income** box on the *Loan Request* page of the PPP Loan Application.

4

Step 5

Calculate the gross wages and tips paid to your employees whose principal place of residence is in the United States (not including owners).

D

+

Enter into **Box D** the total annual IRS Form 941 Taxable Medicare wages & tips (line 5c-column 1) from each quarter of the year selected.

E

-

Enter into **Box E** the total annual of pre-tax employee contributions for health insurance and other fringe benefits excluded from the IRS Form 941 Taxable Medicare wages & tips.

F

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Enter into **Box F** any amounts paid to an employee in excess of \$100,000 (on an annualized basis as prorated for the period during with the payments are made or incurred) plus any amounts paid to an employee whose principal place of residence is outside the U.S.

5

+

Add Box D plus **Box E**, then **subtract Box F** and enter the **Total** in **Box 5** (gross wages and tips paid to employees residing in the U.S. not exceeding \$100,000 per employee).

6

Step 6

Enter into **Box 6** the total annual employer contributions to employee group health, life, disability, vision, and dental insurance (from the portion of IRS Form 1040 Schedule C line 14 attributable to these contributions).

6

Go to Page 12 for **Step 7**

6

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Step 7	Enter into Box 7 the total annual employer contributions to employee retirement plans (from IRS Form 1040 Schedule C line 19).	+	7	
Step 8	Enter into Box 8 the total annual employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).	+	8	
Step 9	Compute total annual employee payroll costs. Add Box 5 plus Box 6 plus Box 7 plus Box 8 and enter the Total payroll costs in Box 9.	=	9	
				Average Monthly Payroll =
Step 10	Calculate the average employee monthly payroll costs. Divide the total payroll costs in Box 9 by 12 and enter the resulting amount in Box 10 . Enter the amount in Box 10 in the Average Monthly Payroll box on the <i>Loan Request</i> page of the PPP Loan Application.		10	
				Calculated Monthly Payroll =
Step 11	Calculate the monthly payroll expenses for your PPP loan request. Add the owner average monthly adjusted gross income in Box 4 to the average employee monthly payroll costs in Box 10 and enter the resulting amount in Box 11 . The amount in Box 11 will appear in the Calculated Monthly Payroll Expenses box on the <i>Loan Request</i> page of the PPP Loan Application.		11	
Step 12	<p>Upload this Worksheet and all documents used to complete it to the Documents section of the PPP Loan Application. You must upload:</p> <ul style="list-style-type: none"> • Your IRS Form 1040 Schedule C for the selected year. • 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 IRS Forms W-2 or W-3, or IRS Form 944). • Records of any retirement or health insurance contributions not reflected on IRS Form 1040 Schedule C. • A payroll statement or similar documentation from the pay period that covered February 15, 2020 that establishes that you were in operation and had employees on that date. If you operate a seasonal business, you may provide documentation of operations for any 12-week period between February 15, 2019 and February 20, 2020. • <i>If you have not filed any of the requested IRS Forms, complete and upload them with your PPP Loan Application.</i> 			

***Seasonal businesses** may elect instead to use any consecutive 12-week period between February 15, 2019 and February 15, 2020, excluding costs over \$100,000 on an annualized basis, as prorated for the period selected. Divide **Box 9** by **3** and enter the total into **Box 10**.