

# Paycheck Protection Program

*We're committed to helping you*



## FIRST AND SECOND DRAW LOAN CHECKLISTS

These checklists are designed to help you prepare to apply for a Paycheck Protection Program (PPP) loan through PNC. The document requirements for applying for a PPP Loan are different based on if you are applying for your first PPP Loan (have not obtained a PPP loan previously) or if you are applying for a second draw. Please review the options below to prepare the proper documents for upload and also refer to the Small Business Administration (SBA) for additional information.

### Paycheck Protection Program – First Draw Loan (January 2021)

*If you are applying for your first PPP loan or if you have not obtained a Paycheck Protection Loan previously:*

**Required Document Checklist for:** (1) payroll costs used to calculate eligible loan amount; and (2) to establish an applicant was in operation on February 15, 2020.

#### 1 PAYROLL COST DOCUMENTS

Payments made to independent contractors and reported on 1099-MISC **are not** eligible payroll costs (except as noted below). Payments made to employees who reside outside the United States **are not** eligible payroll costs. If an individual employee is paid more than \$100,000 on an annualized basis, amounts in excess of \$100,000 **are not** eligible payroll costs.

##### **Non-seasonal Businesses:**

Submit supporting documentation of your eligible payroll costs for either calendar year 2019 or 2020 to establish maximum loan amount eligibility.

##### **Seasonal Businesses:<sup>1</sup>**

Submit supporting documentation of your eligible payroll costs as noted above or, if you choose, eligible payroll costs for any 12-week period between February 15, 2019 and February 15, 2020 to establish maximum loan amount eligibility.

##### **New Businesses:<sup>2</sup>**

Submit supporting documentation of your eligible payroll costs for the period from January 1, 2020 to February 29, 2020 to establish maximum loan amount eligibility.

For more information, visit [pnc.com/PaycheckProtectionProgram](https://pnc.com/PaycheckProtectionProgram)

<sup>1</sup> A "seasonal business" is a business that either (i) does not operate for more than 7 months in any calendar year; or (ii) during the 2020 calendar year, had gross receipts for any 6 months were not more than 33.33% of the gross receipts of the business for the other 6 months of 2020 (section 315 of Economic Aid Act).

<sup>2</sup> A "new business" is a business that did not exist during the one year period preceding February 15, 2020 (section 311 page 822 of Economic Aid Act).

**Supporting documentation for eligible payroll costs may include (but is not limited to) documents such as:**

- a) 2019 or 2020 payroll processor record covering the entire applicable period **OR** b) Full year 2019 or 2020 IRS payroll tax filings (e.g., 940, 941, 944)
- If included in your payroll calculations, full year 2019 or 2020 state quarterly wage unemployment must be provided
- Full year health insurance (including costs for group life, disability, vision and dental expenses if they are included in payroll calculations)
- Full year retirement plan expenses (required if payments into retirement accounts are included in payroll calculations)
- Full year other supporting documents, i.e., income and expense statements
- Full year 1099-MISC for the applicable period AND 1040 Schedule C (this is **SOLELY for applicants who are independent contractors or owners whose payments are reported on form 1099-MISC**)

Please make sure you have all documents ready and that your payroll cost **documentation covers the entire calendar year of 2019 or 2020** (or for the entire period that applies if you are a Seasonal Business or a New Business).

**2 DOCUMENTS TO ESTABLISH BUSINESS OPERATIONS ON FEBRUARY 15, 2020**

- Payroll processor file
- Payroll tax filing
- Form 1099-Misc (note, this document is acceptable to establish evidence of operations, not to calculate loan amount, except as noted above for applicants who are independent contractors or owners whose payments are reported on form 1099-MISC)
- Income and Expenses (sole proprietors and self-employed individuals)
- Other supporting documentation, such as bank records
- Please note that your Company's name that received the PPP loan must be on the document for it to be acceptable

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## Paycheck Protection Program – Second Draw Loan (January 2021)

*If you are applying for your second Paycheck Protection Program Loan:*

**Required Document Checklist for:** (1) information on first PPP loan; (2) gross receipts reduction test; (3) payroll costs used to calculate eligible loan amount; and (4) to establish an applicant was in operation on February 15, 2020.

### 1 INFORMATION ABOUT FIRST PPP LOAN:

- PPP Lender Name
- Initial PPP Loan amount
- SBA PPP Loan number
- Confirmation that borrower has used all proceeds of initial PPP loan

### 2 GROSS RECEIPTS REDUCTION TEST:

Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than the same quarter of 2019. Alternatively, Applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019. In determining whether the Applicant experienced at least a 25% reduction in gross receipts, for loans above \$150,000, the Applicant must identify the 2020 quarter meeting this requirement, identify the reference quarter, and state the gross receipts amounts for both quarters, as well as provide supporting documentation. For loans of \$150,000 and below, these fields are not required and the Applicant only must certify that the Applicant has met the 25% gross receipts reduction at the time of application; **however, upon or before seeking loan forgiveness (or upon SBA request) the Applicant must provide documentation that identifies the 2020 quarter meeting this requirement, identifies the reference quarter, states the gross receipts amounts for both quarters, and supports the amounts provided.**

- Applicants must identify the 2020 quarter meeting the 25% reduction, identify the reference quarter in 2019, and state the gross receipts amounts for both quarters, as well as provide supporting documentation.
- Applicants choosing to use annual gross receipts must submit copies of annual tax forms substantiating the annual gross receipts reduction.
- For entities not in business during the first and second quarters of 2019 but in operation during the third and fourth quarters of 2019, documents that demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than either the third or fourth quarters of 2019.
- For entities not in business during the first, second, and third quarters of 2019 but in operation during the fourth quarter of 2019, documents that show that gross receipts in any quarter of 2020 were at least 25% lower than the fourth quarter of 2019.
- For entities not in business during 2019 but in operation on February 15, 2020, documents that show that gross receipts in the second, third, or fourth quarter of 2020 were at least 25% lower than the first quarter of 2020.

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### 3 PAYROLL COST DOCUMENTS

Payments made to independent contractors and reported on 1099-MISC are not eligible payroll costs (except as noted below). Payments made to employees who reside outside the United States are not eligible payroll costs. If an individual employee is paid more than \$100,000 on an annualized basis, amounts in excess \$100,000 are not eligible payroll costs.

#### Non-seasonal Businesses:

Submit supporting documentation of your eligible payroll costs for either calendar year 2019 or 2020 to establish maximum loan amount eligibility.

#### Seasonal Businesses:<sup>3</sup>

Submit supporting documentation of your eligible payroll costs as noted above or, if you choose, eligible payroll costs for any 12-week period between February 15, 2019 and February 15, 2020 to establish maximum loan amount eligibility.

#### New Businesses:<sup>4</sup>

Submit supporting documentation of your eligible payroll costs from when you were first in operation in 2019 through the end of calendar year 2020. For additional reference, see questions 10 and 11 on the most recent [SBA calculation guidance](#).

#### Supporting documentation for eligible payroll costs may include (but is not limited to) documents such as:

- a) 2019 or 2020 payroll processor record covering the entire applicable period **OR** b) Full year 2019 or 2020 IRS payroll tax filings (e.g., 940, 941, 944)
- If included in your payroll calculations, full year 2019 or 2020 state quarterly wage unemployment must be provided
- Full year health insurance, including costs for group life, disability, vision and dental expenses if they are included in payroll calculations)
- Full year retirement plan expenses (required if payments into retirement accounts are included in payroll calculations)
- Full year other supporting documents, i.e., income and expense statements
- Full year 1099-MISC for the applicable period AND 1040 Schedule C (this is **SOLELY for applicants who are independent contractors or owners whose payments are reported on form 1099-MISC**)

Please make sure you have all documents ready and that your payroll cost documentation covers the entire calendar year of 2019 or 2020 (or for the entire period that applies if you are a Seasonal Business or a New Business).

### 4 DOCUMENTS TO ESTABLISH BUSINESS OPERATIONS ON FEBRUARY 15, 2020

- Payroll processor file
- Payroll tax filing
- Form 1099-Misc (note, this document is acceptable to establish evidence of operations, not to calculate loan amount, except as noted above for applicants who are independent contractors or owners whose payments are reported on form 1099-MISC)
- Income and Expenses (sole proprietors and self-employed individuals)
- Other supporting documentation, such as bank records
- Please note that your Company's name that received the PPP loan must be on the document for it to be acceptable

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<sup>3</sup> A "seasonal business" is a business that either (i) does not operate for more than 7 months in any calendar year; or (ii) during the 2020 calendar year, had gross receipts for any 6 months were not more than 33.33% of the gross receipts of the business for the other 6 months of 2020 (section 315 of Economic Aid Act).

<sup>4</sup> A "new business" is a business that did not exist during the one-year period preceding February 15, 2020 (section 311 page 822 of Economic Aid Act).

## Second Draw Loan – Revenue Reduction Checklists

**The following are the primary sets of documentation Applicants can provide to substantiate their certification of a 25 percent gross receipts reduction (only one set is required):**

- **Quarterly financial statements for the entity.** If the financial statements are not audited, the Applicant must sign and date the first page of the financial statement and initial all other pages, attesting to their accuracy. If the financial statements do not specifically identify the line item(s) that constitute gross receipts, the Applicant must annotate which line item(s) constitute gross receipts.
- **Quarterly or monthly bank statements for the entity showing deposits from the relevant quarters.** The Applicant must annotate, if it is not clear, which deposits listed on the bank statement constitute gross receipts (e.g., payments for purchases of goods and services) and which do not (e.g., capital infusions).
- **Annual IRS income tax filings of the entity (required if using an annual reference period).** If the entity has not yet filed a tax return for 2020, the Applicant must fill out the return forms, compute the relevant gross receipts value (see Question 5 in SBA link below), and sign and date the return, attesting that the values that enter into the gross receipts computation are the same values that will be filed on the entity's tax return.

**The amounts required to compute gross receipts varies by the entity tax return type:<sup>5</sup>**

- For self-employed individuals other than farmers and ranchers (IRS Form 1040 Schedule C): sum of line 4 and line 7<sup>6</sup>
- For self-employed farmers and ranchers (IRS Form 1040 Schedule F): sum of lines 1b and 9
- For partnerships (IRS Form 1065): sum of lines 2 and 8, minus line 6
- For S-Corporations (IRS Form 1120-S): sum of lines 2 and 6, minus line 4
- For C-Corporations (IRS Form 1120): sum of lines 2 and 11, minus the sum of lines 8 and 9
- For nonprofit organizations (IRS Form 990): the sum of lines 6b(i), 6b(ii), 7b(i), 7b(ii), 8b, 9b, 10b, and 12 (column (A)) of Part VIII
- For nonprofit organizations (IRS Form 990-EZ): sum of lines 5b, 6c, 7b, and 9 of Part I
- LLCs should follow the instructions that apply to their tax filing status in the reference periods

**Click Here for Additional Information on Revenue Reduction:**

<https://www.sba.gov/sites/default/files/2021-01/Second%20Draw%20PPP%20Loans%20--%20How%20to%20Calculate%20Revenue%20Reduction%20and%20Maximum%20Loan%20Amounts%20Including%20What%20Documentation%20to%20Provide%20%281.19.2021%29.pdf>

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<sup>5</sup> Any of the following included in the specific tax form lines must be excluded from the computation and annotated on the return: taxes collected for and remitted to a taxing authority if included in gross or total income (such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees); proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker. In particular, for tax returns that include sales tax as income and then as a deduction, annotate next to the "taxes and license" line of the return the amount of such taxes that were included in income.

<sup>6</sup> If you file multiple Schedule C forms on the same Form 1040, you must include and sum across all of them.