



PPP Loan Calculation Changes For Schedule C Filers

On March 3, 2021 the SBA issued an Interim Final Rule (insert link to Revisions to Loan Amt Calculations for Sch C filers) revising the loan amount calculations for Schedule C filers. Previously, Schedule C filers were required to use their 2019 or 2020 net income as reported on a Schedule C to calculate their maximum loan amount. Changes made on March 3, 2021, now provide two new PPP loan calculation methods utilizing gross receipts instead of net income. This may increase your maximum loan amount, if you as an owner (excluding W2 employees) did not previously qualify for owner compensation of \$20,833.

How do I re-apply on the new application form for Schedule C filers?

Our PPP Application Portal developers are working hard to update the portal to accommodate the new application forms and requirements for IRS Form 1040, Schedule C filers. The new application form is expected to go live in First Home Bank's PPP Application Portal on Friday, March 12th. You will receive an email on Friday, March 12th with instructions on how to re-apply.

What if I do not want to wait to re-apply and wish to proceed on the current application form?

Please let us know by completing [this form](#). If we do not hear from you, we will assume you are waiting for the new application form to be available in First Home Bank's PPP Application Portal.

What if First Home Bank has mistakenly identified me as a Schedule C filer. How do I proceed on the current application form?

Please let us know by completing [this form](#). If we do not hear from you, we will assume you are waiting for the new application form to be available in First Home Bank's PPP Application Portal.

Can I transfer my existing SBA approval to my new application?

The new calculation is only available for loans submitted on the new application form and approved after March 3, 2021. Once the new application form is released in First Home Bank's PPP Application Portal, and you have re-applied on the new form, we will be required to cancel your existing SBA approval to submit the new application to the SBA. SBA's application system will not accept more than one Round 2 application from the same borrower.

How do I calculate my Maximum Loan Amount if I file an IRS Form 1040, Schedule C, and DO NOT have any W2 employees?

- (a) Take Gross Income (line 7) from your 2019 or 2020 IRS Form Schedule C, and divide that number by 12. If this amount is greater than \$8,333.33, reduce it to \$8,333.33. This is your Average Monthly Owner Compensation.
- (b) Multiply your Average Monthly Owner Compensation by 2.5, this is your Maximum Loan Amount. (Second draw applicants with a NAICS code beginning with 72, will multiply by 3.5 instead of 2.5)

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. <input type="checkbox"/>	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	

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How do I calculate my Maximum Loan Amount if I file an IRS Form 1040, Schedule C, and have W2 employees?

Step 1: Calculate Monthly Owner Compensation

- (a) Take Gross Income (line 7) from your 2019 or 2020 IRS Form Schedule C, and subtract Employee Benefit Programs (line 14), Pension and Profit-Sharing Plans (line 19), and Wages (line 26). This is your Gross Income Net of Employee Expenses.
- (b) Take Gross Income Net of Employee Expenses and divide by 12. If this amount is greater than \$8,333.33, reduce it to \$8,333.33. This is your **Average Monthly Owner Compensation.**

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	
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	
16	Interest (see instructions):		
	a Mortgage (paid to banks, etc.)	16a	
	b Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
	a Vehicles, machinery, and equipment	20a	
	b Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	
24	Travel and meals:		
	a Travel	24a	
	b Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	
27b	Reserved for future use	27b	

Step 2: Calculate Average Monthly Payroll for Employees (do not include any owner compensation)

- (a) Add up your annual payroll costs for 2019 or 2020 (the same year of the Schedule C you are using). This information can be found on IRS forms 941, 944, or 940, or through your payroll provider. Divide your Annual Payroll Costs by 12. This is your Average Monthly Payroll.
- (b) Remember that you can only include employees whose primary residence is in the United States and their earnings must be capped at \$100,000 annualized.

Step 3: Calculate Maximum Loan Amount

- (a) Add together your Average Monthly Owner Compensation (Step 1) + Average Monthly Payroll (Step 2). This is your Monthly Eligible Payroll Amount.
- (b) Multiply your Monthly Eligible Payroll Amount by 2.5, this is your Maximum Loan Amount. (Second draw applicants with a NAICS code beginning with 72, will multiply by 3.5 instead of 2.5)