As of January 17, 2021

PAYCHECK PROTECTION PROGRAM
HOW TO CALCULATE MAXIMUM LOAN AMOUNTS FOR FIRST DRAW PPP LOANS AND WHAT DOCUMENTATION TO PROVIDE – BY BUSINESS TYPE

The Small Business Administration (SBA), in consultation with the Department of the Treasury, is providing this updated guidance to assist businesses in calculating their payroll costs (and the relevant documentation that is required to support each set of calculations) for purposes of determining the maximum amount of a First Draw Paycheck Protection Program (PPP) loan for each type of business.

Borrowers and lenders may rely on the guidance provided in this document as SBA's interpretation of the CARES Act, the Economic Aid Act, and of the Paycheck Protection Program Interim Final Rules. The U.S. government will not challenge lender PPP actions that conform to this guidance[1] and to the PPP Interim Final Rules and any subsequent rulemaking in effect at the time the action is taken.

The guidance describes payroll costs using calendar year 2019 as the reference period for payroll costs used to calculate loan amounts. However, borrowers are permitted to use payroll costs from either calendar year 2019 or calendar year 2020 for their First Draw PPP Loan amount calculation.[2] Documentation, including IRS forms, must be supplied for the selected reference period.

1. **Question:** I am self-employed and have no employees, how do I calculate my maximum First Draw PPP Loan amount? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent by the borrower during the covered period following disbursement of the PPP loan.)

   Answer: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed and have no employees, and your principal place of residence is in the United States, including if you are an independent contractor or operate a sole proprietorship (but not if you are a partner in a partnership):

   - **Step 1:** Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount.[3] If this amount is over $100,000, reduce it to $100,000. If this amount is zero or less, you are not eligible for a PPP loan.

   - **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.

[1] This document does not carry the force and effect of law independent of the statutes and regulations on which it is based.
[2] All components of payroll costs must be from the same calendar year. Payroll costs, including for covered benefits, can only be included for employees whose principal place of residence is in the United States.
[3] If you are using 2020 amounts and have not yet completed a 2020 return, fill out the required portions and compute the values.

- **Step 4:** Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

Your 2019 IRS Form 1040 Schedule C must be provided to substantiate the applied-for PPP loan amount. You must also provide a 2019 IRS Form 1099-MISC detailing nonemployee compensation received (box 7), IRS Form 1099-K, invoice, bank statement, or book of record establishing you were self-employed in 2019 and a 2020 invoice, bank statement, or book of record establishing you were in operation on February 15, 2020.

2. **Question:** I am self-employed and have employees, how do I calculate my maximum First Draw PPP Loan amount (up to $10 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent by the borrower during the covered period following disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed if you are self-employed with employees, including if you are an independent contractor or operate a sole proprietorship (but not if you are a partner in a partnership):

- **Step 1:** Compute your 2019 payroll costs by adding the following:
    - 2019 IRS Form 1040 Schedule C line 31 net profit amount:[4]
        - if this amount is over $100,000, reduce it to $100,000,
        - if this amount is less than zero, set this amount at zero;
    - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to $100,000 per employee, which can be computed using:
        - 2019 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, and
        - Minus (i) any amount paid to any individual employee in excess of $100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the United States;
    - 2019 employer contributions for employee group health, life, disability, vision, and dental insurance (the portion of IRS Form 1040 Schedule C line 14 attributable to those contributions);

[4] If you are using 2020 payroll costs and have not yet completed a 2020 return, fill it out and compute the value.

- 2019 employer contributions to employee retirement plans (IRS Form 1040 Schedule C line 19); and
- 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).

- **Step 2:** Calculate the average monthly payroll costs amount (divide the amount from Step 1 by 12).

- **Step 3:** Multiply the average monthly payroll costs amount from Step 2 by 2.5.

- **Step 4:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

Your 2019 IRS Form 1040 Schedule C, 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), along with documentation of any retirement or group health, life, disability, vision, and dental contributions, must be provided to substantiate the applied-for PPP loan amount. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation and had employees on that date.

3. **Question:** I am a self-employed farmer or rancher who reports my income on IRS Form 1040 Schedule F. What documentation must I provide in place of Schedule C and how should my maximum loan amount be determined (up to $10 million)?

   Answer: Self-employed farmers and ranchers (i.e., those who report their net farm profit on IRS Form 1040 Schedule 1 and Schedule F) should use IRS Form 1040 Schedule F in lieu of Schedule C.

   The calculation for self-employed farmers and ranchers without employees is the same as for Schedule C filers that have no employees, except that Schedule F line 9 (gross income) should be used to determine the loan amount rather than Schedule C line 31 (net profit).

   The calculation for self-employed farmers and ranchers with employees is the same as for Schedule C filers that have employees with several exceptions. First, in place of Schedule C line 31 (net profit), the difference between Schedule F line 9 (gross income) and the sum of Schedule F lines 15, 22, and 23 (for employee payroll) should be used. Second, employer contributions for employee group health, life, disability, vision and dental insurance (portion of Schedule F line 15 attributable to those contributions) and employer contributions for employee retirement contributions (Schedule F line 23) should be used in place of those respective lines on Schedule C.

   The documentation requirements are the same as for Schedule C filers except the 2019

IRS Form 1040 Schedule 1 and Schedule F must be included with the loan application in place of IRS Form 1040 Schedule C. Additionally, for farmers and ranchers with employees, IRS Form 943 should be provided in addition to, or in place of, IRS Form 941, as applicable.

4. **Question:** How do partnerships apply for PPP loans, and how is the maximum First Draw PPP Loan amount calculated for partnerships (up to $10 million)? Should partners' self- employment income be included on the business entity level PPP loan application or on separate PPP loan applications for each partner? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

   Answer: The following methodology should be used to calculate the maximum amount that can be borrowed for partnerships (partners' self-employment income should be included on the partnership's PPP loan application; individual partners may not apply for separate PPP loans):

   - **Step 1:** Compute 2019 payroll costs by adding the following:
     - 2019 Schedule K-1 (IRS Form 1065) Net earnings from self-employment of individual U.S.-based general partners that are subject to self-employment tax, multiplied by 0.9235,[5] up to $100,000 per partner:[6]
       - Compute the net earnings from self-employment of individual U.S.-based general partner that are subject to self-employment tax from box 14a of IRS Form 1065 Schedule K-1 and subtract (i) any section 179 expense deduction claimed in box 12; (ii) any unreimbursed partnership expenses claimed; and (iii) any depletion claimed on oil and gas properties;
         - if this amount is over $100,000, reduce it to $100,000;
         - if this amount is less than zero, set this amount at zero;
     - 2019 gross wages and tips paid to employees whose principal place of residence is in the United States (if any), up to $100,000 per employee, which can be computed using:
       - 2019 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, and
       - Minus any amounts paid to any individual employee in excess of $100,000 and any amounts paid to any employee whose principal

[5] This treatment follows the computation of self-employment tax from IRS Form 1040 Schedule SE Section A line 4 and removes the "employer" share of self-employment tax, consistent with how payroll costs for employees in the partnership are determined.

[6] If the partnership is using 2020 payroll costs and the Form 1065 for 2020 has not yet been completed, fill out the form.

place of residence is outside the United States;

- 2019 employer contributions for employee (but not partner) group health, life, disability, vision, and dental insurance, if any (portion of IRS Form 1065 line 19 attributable to those contributions);
- 2019 employer contributions to employee (but not partner) retirement plans, if any (IRS Form 1065 line 18); and
- 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms), if any.

- **Step 2:** Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).

- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.

- **Step 4:** Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The partnership's 2019 IRS Form 1065 (including K-1s) must be provided to substantiate the applied-for First Draw PPP Loan amount. If the partnership has employees, other relevant supporting documentation, including the 2019 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) along with records of any retirement or group health, life, disability, vision, and dental insurance contributions must also be provided to substantiate the First Draw PPP Loan amount. If the partnership has employees, a payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish the partnership was in operation and had employees on that date. If the partnership has no employees, an invoice, bank statement, or book of record establishing the partnership was in operation on February 15, 2020 must instead be provided.

5. **Question:** How is the maximum First Draw PPP Loan amount calculated for S corporations and C corporations (up to $10 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

   Answer: The following methodology should be used to calculate the maximum amount that can be borrowed for corporations, including S and C corporations:

   - **Step 1:** Compute 2019 payroll costs by adding the following:
     - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to $100,000 per employee, which can be computed using:
       - 2019 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,
- Minus (i) any amounts paid to any individual employee in excess of $100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the United States;

- 2019 employer group health, life, disability, vision, and dental insurance contributions (portion of IRS Form 1120 line 24 or IRS Form 1120-S line 18 attributable to those contributions);[7]
- 2019 employer retirement contributions (IRS Form 1120 line 23 or IRS Form 1120-S line 17); and
- 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).

- **Step 2:** Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).

- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5

- **Step 4:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The corporation's 2019 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), along with the filed business tax return (IRS Form 1120 or IRS 1120-S) or other documentation of any retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for PPP loan amount. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation and had employees on that date.

6. Question: How is the maximum First Draw PPP Loan amount calculated for eligible nonprofit organizations (up to $10 million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed for eligible nonprofit organizations (eligible nonprofit religious institutions or other eligible nonprofits without an IRS Form 990 filing requirement, see

[7] Note that employer contributions for group health, life, disability, vision, and dental insurance for S-Corporation employees who own more than a 2 percent stake in the business (or employees who are family members of such owners) are not included in this figure as such contributions are already included in gross wages.

the next question):

- **Step 1:** Compute 2019 payroll costs by adding the following:
    - 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States, up to $100,000 per employee, which can be computed using:
        - 2019 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, and
        - Minus (i) any amounts paid to any individual employee in excess of $100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the U.S.;
    - 2019 employer group health, life, disability, vision, and dental insurance contributions (portion of IRS Form 990 Part IX line 9 attributable to those contributions);
    - 2019 employer retirement contributions (IRS Form 990 Part IX line 8); and
    - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).

- **Step 2:** Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).

- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.

- **Step 4:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The nonprofit organization's 2019 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), along with the filed IRS Form 990 Part IX or other documentation of any retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for PPP loan amount. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation and had employees on that date. Eligible nonprofits that file IRS Form 990-EZ should rely on that form and those that do not file an IRS Form 990 or 990-EZ, typically those with gross receipts less than $50,000, should see the next question.

7. **Question:** How is the maximum First Draw PPP Loan amount calculated for eligible nonprofit religious institutions, veterans organizations, and tribal businesses (up to $10

million)? (Note that PPP loan forgiveness amounts will depend, in part, on the total amount spent during the covered period following disbursement of the PPP loan.)

Answer: The following methodology should be used to calculate the maximum amount that can be borrowed for eligible nonprofit religious institutions, veterans organizations and tribal businesses:

- **Step 1:** Compute 2019 payroll costs by adding the following:
    - 2019 gross wages and tips paid to employees whose principal place of residence is in the United States, up to $100,000 per employee, which can be computed using:
        - 2019 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, and
        - Minus (i) any amounts paid to any individual employee in excess of $100,000, and (ii) any amounts paid to any employee whose principal place of residence is outside the United States;
    - 2019 employer group health, life, disability, vision, and dental insurance contributions;
    - 2019 employer retirement contributions; and
    - 2019 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms).

- **Step 2:** Calculate the average monthly payroll costs (divide the amount from Step 1 by 12).

- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.

- **Step 4:** Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The entity's 2019 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), along with documentation of any retirement and group health, life, disability, vision, and dental insurance contributions, must be provided to substantiate the applied-for PPP loan amount. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation and had employees on that date.

8. **Question:** I am an LLC owner. Which set of instructions applies to me?

   Answer: LLCs should follow the instructions that apply to their tax filing status in the reference period used to calculate payroll costs (2019 or 2020)—i.e., whether the LLC filed (or will file) as a sole proprietor, a partnership, or a corporation in the reference period.

9. **Question:** What other documentation can an applicant provide for the purpose of substantiating payroll costs used to calculate the applied-for First Draw PPP Loan amount?

   Answer: An applicant may provide IRS Form W-2s and IRS Form W-3 or payroll processor reports, including quarterly and annual tax reports, in lieu of IRS Form 941. Additionally, very small businesses that file an annual IRS Form 944 or agricultural employers that file an annual IRS Form 943 should rely on and provide IRS Form 944 or IRS Form 943 in lieu of IRS Form 941.

   An applicant may provide records from a retirement administrator to document employer retirement contributions. An applicant may also provide records from a health insurance company or third-party administrator for a self-insured plan to document employer health insurance contributions.

10. **Question:** I am a corporation or nonprofit and was in operation on February 15, 2020, but was not in operation between February 15, 2019, and June 30, 2019. What reference period should I be using to compute my First Draw PPP Loan amount?

    Answer: In this case, you may choose one of two ways to calculate your First Draw PPP Loan amount. The first option is for borrowers to follow the applicable instructions in Questions 5, 6, 7 and use payroll information for all of 2020 instead of 2019. The second option is for borrowers to calculate their loan amount using their average monthly payroll costs incurred in January and February 2020. For borrowers choosing the second option, the following methodology should be used to calculate the maximum amount that you can borrow:

    - **Step 1:** Compute January and February 2020 payroll costs by adding the following:
        - Gross pay to employees for those two months whose principal place of residence is in the United States, up to $16,667 per employee;
        - Employer group health, life, disability, vision, and dental insurance contributions for those two months;
        - Employer retirement contributions for those two months; and
        - Employer state and local taxes assessed on employee compensation for those two months, primarily state unemployment insurance tax.

    - **Step 2:** Calculate the average monthly payroll costs (divide the amount from Step 1 by 2).

- **Step 3:** Multiply the average monthly payroll costs from Step 2 by 2.5.

- **Step 4:** Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

If you choose the second option, you must provide payroll records from January and February 2020, your IRS Form 941 for the first quarter of 2020, and documentation of any employer retirement and group health, life, disability, vision, and dental insurance contributions from that period.

11. Question: I am self-employed (or a partnership) and was in operation on February 15, 2020, but was not in operation between February 15, 2019, and June 30, 2019. I have filed or will file a Form 1040 Schedule C or Schedule F (or Form 1065) for 2020. What reference period should I be using to compute my First Draw PPP Loan amount?

Answer: In this case, you may choose one of two ways to calculate your First Draw PPP Loan amount. The first option is for borrowers to follow the applicable instructions in Question 1 through 4 and use payroll information for all of 2020 instead of 2019. The second option is for borrowers to calculate their loan amount using their average monthly payroll costs incurred in January and February 2020. For borrowers choosing the second option, the following methodology should be used by Schedule C filers to calculate the maximum amount that you can borrow:

- **Step 1:** Fill out an IRS Form 1040 Schedule C for January and February 2020. The entries on the schedule must reflect all business income and expenses from those two months, with the exception that on Schedule C line 13:
    - you must include only 1/6 of the amount of any annual depreciation and section 179 expense deduction attributable to investment made in those months, and
    - you must include 1/6 of the amount of the 2020 depreciation deduction attributable to investment made in prior years.

- **Step 2:** Take the net profit amount for January and February on Schedule C line 31.
    - If this amount is more than $16,667 for the two months combined, set it to $16,667.
    - If this amount is less than 0 for the two months combined, set it to 0.

- **Step 3:** If you have employees, add your employee payroll costs for January and February 2020 to the result in Step 2. Only include payroll costs for those employees whose principal place of residence is in the United States and up to $16,667 of gross pay per employee.

- **Step 4:** Divide the total by 2, and then multiply it by 2.5.

- **Step 5:** Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

Your IRS Form 1040 Schedule C as completed must be provided to your lender when you apply for a PPP loan. This information should be consistent with what you will submit to the IRS and must be true and accurate in all material respects. You must also supply bank statements from your business account(s) for the months of January and February 2020 to substantiate your net profit amount from Schedule C. If you have employees, you also must provide payroll records from those two months, your IRS Form 941 for the first quarter of 2020, and documentation of any employer retirement and group health, life, disability, vision, and dental insurance contributions made on behalf of employees.

Schedule F filers should use the same methodology as above but complete a Schedule F in Step 1 and replace net profit from Step 2 with the gross income amount on Schedule F line 9 (if no employees) or the difference between the gross profit amount on Schedule F line 9 and employee payroll costs from the sum of Schedule F lines 15, 22, and 23 (if you have employees). Documentation requirements are the same as above except Schedule F as completed must be provided in place of Schedule C.

Partnerships should use the same methodology as above but complete a Form 1065 in Step 1 and replace net profit from Step 2 with the net earnings from self-employment for each individual U.S.-based general partners (the difference between box 14a of IRS Form 1065 K-1 and the sum of (i) any section 179 expense deduction claimed in box 12; (ii) any unreimbursed partnership expenses claimed; and (iii) any depletion claimed on oil and gas properties) multiplied 0.9235. Documentation requirements are the same as above except Form 1065 as completed must be provided in place of Schedule C.

12. **Question:** In addition to pre-tax employee contributions for health insurance, what are the other pre-tax employee contributions for fringe benefits that may have been excluded from IRS Form 941 Taxable Medicare wages & tips that is part of employee gross pay?

    Answer: Employee contributions and deductions from pay for flexible spending arrangements (FSA) or other nontaxable benefits under a section 125 cafeteria plan, qualified transit or parking benefits (up to $270 a month), and group life insurance (for up to $50,000 of coverage) may have been excluded from IRS Form 941 Taxable Medicare wages & tips. However, pre-tax employee contributions to retirement plans are included in Taxable Medicare wages & tips and should not be added to that figure to arrive at gross pay.

13. **Question:** How should a borrower account for federal taxes when determining its payroll costs for purposes of the maximum loan amount, allowable uses of a PPP loan, and the amount of a loan that may be forgiven?

Answer: Payroll costs are calculated on a gross basis without regard to federal taxes imposed or withheld, such as the employee's and employer's share of Federal Insurance Contributions Act (FICA) and income taxes required to be withheld from employees. As a result, payroll costs are not reduced by taxes imposed on an employee and required to be withheld by the employer. However, payroll costs do not include the employer's share of payroll tax. For example, the wages of an employee who earned $4,000 per month in gross wages, from which $500 in federal taxes was withheld, count as $4,000 in payroll costs. However, the employer-side federal payroll taxes imposed on the $4,000 in wages are excluded from payroll costs under the statute.[8]

14. Question: Is there a limit on the dollar amount of First Draw PPP Loans a corporate group can receive?

Answer: Yes, businesses that are part of the same corporate group cannot receive First Draw PPP Loans in a total amount of more than $20 million. For purposes of this limit, businesses are part of a single corporate group if they are majority owned, directly or indirectly, by a common parent.

[8] The definition of "payroll costs" in the CARES Act, 15 U.S.C. 636(a)(36)(A)(viii), excludes "taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period". As described above, the SBA interprets this statutory exclusion to mean that payroll costs are calculated on a gross basis, without subtracting federal taxes that are imposed on the employee or withheld from employee wages. Unlike employer-side payroll taxes, such employee-side taxes are ordinarily expressed as a reduction in employee take-home pay; their exclusion from the definition of payroll costs means payroll costs should not be reduced based on taxes imposed on the employee or withheld from employee wages. This interpretation is consistent with the text of the statute and advances the legislative purpose of ensuring workers remain paid and employed. Further, because the reference period for determining a borrower's maximum loan amount will largely or entirely precede the period during which borrowers will be subject to the restrictions on allowable uses of the loans, for purposes of the determination of allowable uses of loans and the amount of loan forgiveness, this statutory exclusion will apply with respect to such taxes imposed or withheld at any time, not only during such period.