

**SECOND DRAW PPP GUIDANCE:
“GROSS RECEIPTS”
FOR SMALL BUSINESSES**

CONTENTS

(AND WHERE TO FIND THEM IN THE VIDEO)

- Why gross receipts matter (0:38 – 1:26)
- How small business gross receipts are defined (1:27 – 2:49)
- How to do a quarterly comparison (2:50 – 6:32)
- How to do an annual comparison (6:33 – 8:29)
- Where to find gross receipts on tax returns (8:30 – 10:08)
- Whether to include affiliates (10:09 – 11:37)
- How to calculate your reduction (11:38 – 12:23)
- Other questions? (12:24 – 12:59)

WHY DO GROSS RECEIPTS MATTER?

- 2nd Draw PPP loans are only available to the hardest hit businesses
- To be eligible, you must show **25% or more reduction** in gross receipts in 2020, as compared to 2019
- ***SBA Guidance:*** [Second Draw PPP Loans: How to Calculate Revenue Reduction and Maximum Loan Amounts Including What Documentation to Provide \(sba.gov\)](#)

SMALL BUSINESS GROSS RECEIPTS

All revenue in whatever form received or accrued (in accordance with the entity's accounting method, i.e., accrual or cash) **from whatever source**, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances but excluding net capital gains and losses (as defined for IRS tax return forms)

INCLUDE ✓

- All revenue, including:
 - Sales
 - Interest
 - Dividends
 - Rents
 - Royalties
 - Fees
 - Commissions

DON'T INCLUDE ✗

- Net capital gains & losses
- Returns & allowances
- Taxes collected for & remitted to a taxing authority (sales taxes)
- Proceeds from transactions with Affiliates
- PPP loan proceeds
- EIDL advance proceeds

QUARTERLY COMPARISON

Comparison

- If your business was:
 - In operation before 7/1/19: compare **any quarter in 2019** with the **same quarter in 2020**
 - Not operating until after 6/30/19: compare **Q3 or Q4 2019** with **any quarter in 2020**
 - Not operating until after 9/30/19: compare **Q4 2019** with **any quarter in 2020**
 - Not operating until after 12/31/19: compare **Q1 2020** with **any other quarter in 2020**
- SBA requires use of calendar quarters
 - January 1 – March 31, April 1 – June 30, July 1 – September 30, October 1 – December 31

Documentation (one of the following)

- Quarterly financial statements for the quarters being compared
 - If unaudited, sign & date first page & initial all other pages, to attest accuracy
 - Annotate which line items constitute gross receipts
- Monthly bank statements for the quarters being compared
 - Annotate which deposits constitute gross receipts (e.g., payments for purchases of goods and services) and which do not (e.g., capital infusions)
- Annual IRS income tax returns of the borrower for 2019 and 2020
 - If you have not yet filed your 2020 tax return, prepare a draft (sign & date, to attest accuracy)
 - SBA may require a copy of your final filed return at forgiveness

ANNUAL COMPARISON

Comparison

- Compare **2019** IRS income tax return to **2020** tax return
- In general, “total income” or “gross income” plus cost of goods sold = gross receipts
- To choose the annual option, you must either operate on a calendar year, or on a non-calendar fiscal year starting by the first day of April

Documentation

- Annual IRS income tax filings of the borrower for 2019 and 2020
- If you have not yet filed your 2020 tax return, prepare a draft (sign & date, to attest accuracy)
- SBA may require a copy of your final filed return at forgiveness

IRS FORM 1040, SCHEDULE C

SCHEDULE C (Form 1040) **Profit or Loss From Business (Sole Proprietorship)** OMB No. 1545-0074
 Department of the Treasury Internal Revenue Service (99) **2020** Attachment Sequence No. **09**
 ▶ Go to www.irs.gov/ScheduleC for instructions and the latest information.
 ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.

Name of proprietor _____ Social security number (SSN) _____

A Principal business or profession, including product or service (see instructions) **B** Enter code from instructions _____

C Business name _____ ID number (EIN) (see instr.) _____

E Business address _____

F Accounting method _____

G Did you have a partner or partner(s) in the business? Yes No

H If you had a partner or partner(s) in the business, did you file a partnership return? Yes No

I Did you make any payments in 2020 that would require you to file Form(s) 1099? See instructions Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

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	ADD THIS
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	ADD THIS

**LINES 7 (gross income)
 + LINE 4 (COGS)**



IRS FORM 1040, SCHEDULE F

SCHEDULE F
(Form 1040)

Profit or Loss From Farming

OMB No. 1545-0074

2020

Attachment
Sequence No. **14**

Department of the Treasury
Internal Revenue Service (IRS)

Name of proprietor

Security number (SSN)

A Principal crop or animal product

Employer ID number (EIN) (see instr.)

E Did you "materially participate" in the farming operation?

Net losses Yes No

F Did you make any other farming income?

Yes No

G If "Yes," did you or will you file required Form(s) 1099?

Yes No

LINE 9 (gross income)
+ LINE 1b (cost or other basis)

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method. Complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a	
b	Cost or other basis of livestock or other items reported on line 1a	1b	ADD THIS
c	Subtract line 1b from line 1a	1c	
2	Sales of livestock, produce, grains, and other products you raised	2	
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	
		3b	Taxable amount
4a	Agricultural program payments (see instructions)	4a	
		4b	Taxable amount
5a	Commodity Credit Corporation (CCC) loans reported under election	5a	
b	CCC loans forfeited	5b	
		5c	Taxable amount
6	Crop insurance proceeds and federal crop disaster payments (see instructions):		
a	Amount received in 2020	6a	
		6b	Taxable amount
c	If election to defer to 2021 is attached, check here <input type="checkbox"/>	6c	
		6d	Amount deferred from 2019
7	Custom hire (machine work) income	7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8	
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions	9	ADD THIS

IRS FORM 1120-S

Form **1120-S** U.S. Income Tax Return for an S Corporation OMB No. 1545-0123

Department of the Treasury Internal Revenue Service

2020

For calendar year 2020 or tax year ending on _____, 20

A S election effective date _____

B Business activity code number (see instructions) _____

C Check if Sch. M-3 attached

D Employer identification number _____

E Date incorporated _____

F Total assets (see instructions) \$ _____

G Is the corporation electing to attach Form 2553 if not already filed

H Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination or revocation

I Enter the number of shareholders who were shareholders during any part of the tax year _____

J Check if corporation: (1) Aggregated activities for section 465 at-risk purposes (2) Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

Income	1a Gross receipts or sales	1a		
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a		1c	
	2 Cost of goods sold (attach Form 1125-A)		2	ADD THIS
	3 Gross profit. Subtract line 2 from line 1c		3	
	4 Net gain (loss) from Form 4797, line 17 (attach Form 4797)		4	SUBTRACT THIS
5 Other income (loss) (see instructions—attach statement)		5		
6 Total income (loss). Add lines 3 through 5		6	ADD THIS	

LINE 6 (total income)
+ LINE 2 (COGS)
- LINE 4 (net gain)

IRS FORM 1120

LINE 11 (total income)
 + LINE 2 (COGS)
 - LINE 8 (capital gain)
 - LINE 9 (net gain)

Form 1120
 Department of the Treasury
 Internal Revenue Service

For calendar year **2020**

A Check if:
1a Consolidated return (attach Form 851)
b Life/nonlife consolidated return
2 Personal holding co. (attach Sch. PH)
3 Personal service corp. (see instructions)
4 Schedule M-3 attached

E Check if:

TYPE OR PRINT

Income	1a Gross receipts or sales				
	b Returns and allowances		1b		
	c Balance. Subtract line 1b from line 1a			1c	
	2 Cost of goods sold (attach Form 1125-A)			2	ADD THIS
	3 Gross profit. Subtract line 2 from line 1c			3	
	4 Dividends and inclusions (Schedule C, line 23)			4	
	5 Interest			5	
	6 Gross rents			6	
	7 Gross royalties			7	
	8 Capital gain net income (attach Schedule D (Form 1120))			8	SUBTRACT THIS
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			9	SUBTRACT THIS
10 Other income (see instructions—attach statement)			10		
11 Total income. Add lines 3 through 10			11	ADD THIS	

IRS FORM 1065

Form 1065		U.S. Return of Partnership Income		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2020, or tax year beginning _____, 2020, ending _____, 20_____.		2020
		▶ Go to www.irs.gov/Form1065 for instructions and the latest information.		
A Principal business activity	Name of partnership	D Employer identification number		
B Principal product or service		Business started		
C Business code number		Assets (Instructions)		
G Check applicable		ended return		
H Check accounting				
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____				
J Check if Schedules C and M-3 are attached ▶ <input type="checkbox"/>				
K Check if partnership: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes				
Caution: Include only trade or business income and expenses on lines 1a through 22 below. See instructions for more information.				
Income	1a Gross receipts or sales	1a		
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a			1c
	2 Cost of goods sold (attach Form 1125-A)			2 ADD THIS
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			5
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6 SUBTRACT THIS
7 Other income (loss) (attach statement)			7	
8 Total income (loss). Combine lines 3 through 7			8 ADD THIS	

LINE 8 (total income)
 + LINE 2 (COGS)
 - LINE 6 (net gain)

AFFILIATES

- In general, **include gross receipts of all Affiliates**
- New Affiliates:
 - Gross receipts includes the Affiliate's receipts for the entire measurement period (not just following the acquisition)
 - If you acquired a segregable division of an Affiliate during 2020, gross receipts include the division's receipts only following the acquisition
- Former Affiliates:
 - Exclude receipts for the entire measurement period (not just following the end of the affiliation)
 - If you sold a segregable division, include the division's receipts prior to sale
- Affiliation rules are **waived** for:
 - Businesses with NAICS code 72 & not more than 300 employees
 - News organizations majority owned/controlled by NAICS code 511110 or 5151 & not more than 300 employees per physical location
 - Nonprofits with NAICS code 5151
- ***SBA Guidance to determine whether you have Affiliates:*** [Affiliation Rules for Paycheck Protection Program \(sba.gov\)](#)

CALCULATING YOUR REDUCTION

- Calculate your Gross Receipts for 2019 and 2020 (or for chosen quarters)
- Divide 2020 Gross Receipts by 2019 Gross Receipts
- Subtract this result from 1 to determine your % reduction
- *Example:*
 - 2019 gross receipts = \$50,000
 - 2020 gross receipts = \$30,000
 - $\$30,000/\$50,000 = 0.6$
 - $1 - 0.6 = 0.4$
 - 40% reduction: **ELIGIBLE**

IF REDUCTION IS 25% OR MORE, YOU MEET THE
GROSS RECEIPTS TEST FOR A 2nd DRAW PPP LOAN

OTHER QUESTIONS?

Visit [Paycheck Protection Program Loans | Self-Help Federal Credit Union \(self-helpfcu.org\)](https://self-helpfcu.org)

PPP Loan Guidance

Please see the Tools & Resources below for current information to help you navigate the PPP loan process. Self-Help is monitoring updates from Congress, the Treasury Department and SBA for any changes to the program and will update this page with new information as it becomes available.

Tools & Resources

Self-Help Resources

- Have questions on PPP? Find answers to commonly asked questions in our [PPP FAQ](#) (updated as of February 8, 2021)
- [Guidance by Entity/Tax Filing](#)
- [Economic Aid Act Quick FAQ - December 27, 2020](#)
- ¿Tiene Preguntas de Perdón? Encuentre Respuestas a preguntas comunes en nuestro Documento Perdón

Additional Resources

- SBA Guidance - [How to Calculate 1st Draw PPP Loan Amount](#)
- SBA Guidance - [How to Calculate 2nd Draw PPP Loan Amount](#)
- Small Business Administration PPP Guidance: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck->