

**UNION BANK**  
**Paycheck Protection Program**

**January 2021**

**SECOND DRAW LOANS**

Maximum Loan Amount:

- Lesser of \$2MM or 2.5x monthly payroll (3.5x for NAICS code 72 businesses)

Eligibility calculation period:

- Can use 2020 or 2019 payroll; borrowers who are not self-employed (sole props and independent contractors) can also use the 12-month period before the date on which the application is submitted.
- Seasonal employers: Determine maximum loan amount by using the employer's average monthly payroll for any 12-week period selected by the seasonal employer beginning February 15, 2019 and ending February 15, 2020.
- New businesses: See Additional Comments below

*NOTE: In addition to the documents listed below, for loans over \$150,000, the Borrower must also submit documentation adequate to establish that they experienced a revenue reduction of 25% or greater in 2020 relative to 2019. Such documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements. For loans with a principal amount of \$150,000 or less, such documentation is not required at the time the Borrower submits its application for a loan, but must be submitted on or before the date the Borrower applies for loan forgiveness.*

**REQUIRED DOCUMENTS NEEDED PER ENTITY TYPE:**

**C corporations and S corporations**

- Form 941 and state quarterly wage unemployment insurance tax reporting from each quarter in year used (2020 or 2019)
- Payroll records (2020 or 2019)
- Evidence of any retirement and health insurance contributions if used in the calculation. Records from a retirement administrator and records from a health insurance company would be acceptable; applicant may also submit their IRS Form 1120 or 1120-S (business tax return) to evidence retirement and health insurance contributions.
- A payroll statement or similar documentation from the pay period that covered 2/15/20 to establish that the Borrower was in operation on 2/15/20.

\*Non-profit organizations should submit the same documents listed above for corporations, but will submit IRS Form 990 (or 990-EZ) Part IX in lieu of IRS Form 1120/1120-S. For smaller organizations that did not file a Form 990 or 990-EZ, other documents may be relied upon.

### **Self-employed Borrowers/Independent Contractor (no employees)**

- IRS Form 1040 Schedule C for the year used (either 2020 or 2019)
- IRS Form 1099-MISC (either 2019 or 2020) detailing nonemployee compensation received (box 7), IRS Form 1099-K, invoice, bank statement, or book of record that establishes that Borrower is self-employed
- A 2020 invoice, bank statement, or book of record to establish that the Borrower was in operation on 2/15/20.

\*Farmers/ranchers with no employees have the same requirements as listed above for self-employed borrowers, but will submit Schedule F in lieu of Schedule C.

### **Self-Employed Borrowers/Independent Contractor (with employees)**

- IRS Form 1040 Schedule C for the year used (either 2020 or 2019)
- IRS Form 941 and state quarterly wage unemployment insurance tax reporting from each quarter in year used (2020 or 2019)
- Payroll records (2020 or 2019)
- Evidence of any retirement and health insurance contributions if used in the calculation. Records from a retirement administrator and records from a health insurance company would be acceptable.
- A payroll statement or similar documentation from the pay period that covered 2/15/20 to establish that the Borrower was in operation on 2/15/20.

### **Self-Employed Farmers/Ranchers (with employees)**

- IRS Form 1040 Schedule 1 and Schedule F for the year used (either 2020 or 2019)
- IRS Form 943 or quarterly 941s and state quarterly wage unemployment insurance tax reporting from each quarter in year used (2020 or 2019)
- Payroll records (2020 or 2019)
- Evidence of any retirement and health insurance contributions if used in the calculation. Records from a retirement administrator and records from a health insurance company would be acceptable.
- A payroll statement or similar documentation from the pay period that covered 2/15/20 to establish that the Borrower was in operation on 2/15/20.

### **Partnerships**

- IRS Form 1065 (including K-1s) for either 2020 or 2019
- If the partnership has employees, form 941 and state quarterly wage unemployment insurance tax reporting from each quarter in year used (2020 or 2019)
- Payroll records (2020 or 2019), if applicable
- Evidence of any retirement and health insurance contributions if used in the calculation, if applicable. Records from a retirement administrator and records from a health insurance company would be acceptable.
- If the partnership has employees, a payroll statement or similar documentation from the pay period that covered 2/15/20 to establish that the Borrower was in operation on 2/15/20.
- If the partnership does not have employees, an invoice, bank statement, or book of record to establish that the Borrower was in operation on 2/15/20.

Additional comments:

- If using 2020 to calculate loan amount, IRS forms are required regardless of whether you have filed a 2020 tax return with the IRS.
- A Limited Liability Company should follow the instructions that apply to its tax filing situation (sole proprietorship, partnership or corporation) to determine what documentation needs to be submitted.
- No additional documentation to substantiate payroll costs will be required if the applicant 1) used calendar year 2019 figures to determine its First Draw PPP loan amount, 2) will use calendar year 2019 figures to determine its Second Draw PPP loan amount and 3) the lender of the applicants Second Draw PPP loan is the same as the lender who made the First Draw PPP loan. **Applicant will still be required to submit documentation that provides evidence that they were in operation as of February 15, 2020.**
- New businesses – calculation period:
  - 1) For Corporations and non-profits not in operation for the full 1-year period preceding February 15, 2020, the applicant should compute payroll costs from when first in operation in 2019 or 2020 through the end of calendar year 2020. For more information, see Question 10 of the “How To Calculate” guidance dated January 19, 2021 for Second Draw loans.
  - 2) For self-employed or partnerships that were in operation on February 15, 2020, but was not in operation for the full 1-year period preceding February 15, 2020, the applicant should calculate the average monthly payroll based on the number of months in which the applicant was in operation from 2019 through the end of calendar year 2020, excluding costs over \$100,000 on an annualized basis. For more information, see Question 11 of the “How To Calculate” guidance dated January 19, 2021 for Second Draw loans.
- For businesses in the Accommodation and Food Services sector (NAICS code 72), additional documentation will need to be provided. Such documentation could include a page or pages from the tax return that shows the code 72 listed or alternative documentation such as permits or licenses.

The above listing is an overview of the documentation that will be needed with the submission of Borrower’s PPP loan application. For more information on the PPP program eligibility and requirements, please visit [www.sba.gov/ppp](http://www.sba.gov/ppp). Please also note that upon review of the information that you submit, the Bank may determine that additional information is needed.