



IDAHO FIRST BANK

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# Loan Calculation The Paycheck Protection Program

## HOW DO I CALCULATE THE MAXIMUM AMOUNT I CAN BORROW?

To calculate your potential loan amount, consider using this method that was presented in the CARES Act.

### STEP 1:

Combine payroll costs (see below for what is included in payroll costs) from the last 12 months for employees whose principal place of residence is the United States.

### STEP 2:

Subtract any compensation paid to an employee in excess of an annual salary of \$100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000 per year.

### STEP 3:

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

### STEP 4:

Multiply the average monthly payroll costs from Step 3 by 2.5.

Here are a few calculation examples from the SBA that may be helpful.

EXAMPLE 1 Total Annual Payroll \$120,000		EXAMPLE 2 Total Annual Payroll \$1,500,000
None	Employees making more than \$100k	Two employees with salaries totaling \$300,000 Subtract any compensation amounts in excess of an annual salary of \$100,000 from the annual payroll
\$120,000	Annual payroll	\$1,200,000 (\$1,500,000 - \$300,000)
\$10,000 (120,000/12)	Average monthly payroll (annual payroll / 12)	\$100,000 (\$1,200,000/12)
\$25,000 (\$10,000 x 2.5)	Max loan amount (avg monthly payroll x 2.5)	\$250,000 (\$100,000 x 2.5)

## WHAT COUNTS AS PAYROLL COSTS? PAYROLL COSTS INCLUDE:

- Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee)
- Employee benefits including costs for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payments required for the provisions of group health care benefits including insurance premiums; and payment of any retirement benefit
- State and local taxes assessed on compensation
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee

Now that you know how to calculate the maximum amount of money you can borrow, you are better prepared to apply for the PPP loan. According to the latest guidance from SBA, your bank must make the first disbursement of the PPP loan no later than 10 calendar days after the loan is approved.



This information is accurate and updated as of 4.9.2020. Terms and conditions are subject to change.

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