

SECOND DRAW PPP LOANS REQUIRED DOCUMENTATION OVERVIEW

DOCUMENTATION FOR PAYROLL COST CALCULATIONS

Second Draw PPP Loan Applicants have option of using the same 2019 payroll costs used for First Draw PPP Loan.

- If using the same 2019 payroll costs used for First Draw PPP Loan, and you received your First Draw PPP Loan through one of the Heartland Financial member banks, you **MAY NOT BE REQUIRED to resubmit this supporting payroll documentation.**
 - Although the application portal may direct Applicant to upload these same supporting documents, the Applicant may bypass these uploads.
 - Applicant should reference the **2019 payroll cost spreadsheet** used to complete their First Draw Loan application. This is the spreadsheet provided via DocuSign with their First Draw Loan application.
- **For Farmers and Ranchers** – If you use average monthly payroll for 2019 to calculate your loan amount, your average monthly payroll costs should be no more than the lesser of (1) average monthly payroll cost amount from your First Draw PPP Loan, or (2) the amount of your First Draw PPP Loan divided by 2.5. This will allow us to confirm your payroll cost calculations are consistent with our review of your First Draw application and may reduce the supporting documentation that is required.

If an Applicant did not receive their First Draw PPP Loan through one of the Heartland Financial member banks, or they intend to use different payroll cost calculations from their First Draw PPP Loan, the following tax documentation will be required:

- IRS Form 941, line 2 for the last 4 quarters of tax year 2019 or 2020 (*or the last 4 quarters of the 12 months prior to the date the loan will be made*)
- IRS Form 944, line 1 for the 2019 or 2020 tax year

For Applicants that file IRS Form 1040, Schedule C, payroll costs are computed using line 31 net profit amount, limited to \$100,000, plus any eligible payroll costs for employees.

For Applicants that are Partnerships, payroll costs are computed using net earnings from self-employment of individual general partners, as reported on IRS Form 1065-K-1, reduced by section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by 0.9235, that is not more than \$100,000, plus any eligible payroll costs for employees.

DOCUMENTATION FOR 25% REDUCTION IN GROSS RECEIPTS

As part of the eligibility requirements to receive a Second Draw PPP Loan, an entity must have experienced a 25% decrease in gross receipts for one quarter in 2020 compared to the same quarter in 2019.

Required documentation will need to substantiate decrease in gross receipts. For most Applicants, the following are the primary sets of documentation that can be provided to substantiate their certification of a 25% decrease in receipts/revenue (only one set will be required):

- Quarterly financial statements (unaudited require borrower signature and may also require borrower to annotate certain info)
- Quarterly or monthly bank statements showing deposits from relevant quarter (may require borrower annotation)
- Annual IRS income tax filings of the entity (may require additional info by borrower)

For Second Draw PPP Loans of \$150,000 or less, an Applicant must provide documentation substantiating the 25% gross receipts reduction before or at the time the business seeks loan forgiveness (or upon SBA request). The documentation must clearly identify both of the reference quarters (if not using annual comparison), must contain the gross receipts amounts for both quarters, and support the amounts provided.

For Second Draw PPP Loans greater than \$150,000, the Applicant must provide documentation substantiating the reduction in gross receipts with its Second Draw Borrower Application Form (SBA Form 2483-SD or lender's equivalent form). The documentation must support the amounts provided in the application