

# Paycheck Protection Program

## Revenue Reduction Information for Forgiveness (as of 3/2021)

### Second Draw Loan – Revenue Reduction Calculation

For detailed instructions on how to calculate your revenue reduction, see the SBA’s [Second Draw PPP Loans: How to Calculate Revenue Reduction and Maximum Loan Amounts Including What Documentation to Provide](#)

Applicants seeking second draw loans must certify that they have realized a 25% reduction in gross receipts.<sup>1</sup> The appropriate reference period for determining revenue reduction depends on how long you have been in operation:

- For all entities (other than those specifically set forth below):
  - Applicants must demonstrate that gross receipts in any calendar quarter of 2020 were at least 25% lower than the same quarter of 2019. Alternatively, Applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019 if they were in business in 2019; Applicants choosing to use annual gross receipts must enter “Annual” in the reference period and 2020 period fields and must submit copies of annual tax forms substantiating the annual gross receipts reduction.
- In operation Q3 and Q4 2019 but not Q1 or Q2 2019:
  - For entities not in business during the first and second quarters of 2019 but in operation during the third and fourth quarters of 2019, Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than during either the third or fourth quarters of 2019.
- In operation Q4 2019 but not Q1, Q2, or Q3 2019:
  - For entities not in business during the first, second, and third quarters of 2019 but in operation during the fourth quarter of 2019, Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than the fourth quarter of 2019.
- In operation Feb. 15, 2020 but not during 2019:
  - For entities not in business during 2019 but in operation on February 15, 2020, Applicants must demonstrate that gross receipts in the second, third, or fourth quarter of 2020 were at least 25% lower than the first quarter of 2020.

To calculate Revenue Reduction:

$$\frac{\text{Reference Period Gross Receipts} - \text{2020 Period Gross Receipts}}{\text{Reference Period Gross Receipts}} \times 100 = \% \text{ Revenue Reduction}$$

**If applicable, Applicants with affiliates must add the gross receipts of their affiliates for purposes of the revenue reduction calculation<sup>2</sup>.**

<sup>1</sup> Please review the SBA’s definition of gross receipts (86 Fed. Reg. 3712, 3718 (Jan 14, 2021)) and SBA’s How to Calculate Maximum Loan Amounts for Second Draw PPP Loans for more information.

<sup>2</sup> Please review the SBA’s affiliation rules, as applicable to the PPP (86 Fed. Reg. 3692, 3698-99 (Jan. 14, 2021)) and the SBA’s rules for calculating the gross receipts of affiliates (86 Fed. Reg. 3712, 3718 (Jan 14, 2021)) for more information.

## Second Draw Loans – Revenue Reduction Documentation

If your loan is equal to or less than \$150,000, and you have not previously provided the Bank with your revenue reduction documentation and information, you are required to submit documentation to establish that you (together with your affiliates, if applicable<sup>3</sup>) meet the revenue reduction requirement (“Supporting Documents”) on or before the date you apply for loan forgiveness (or upon SBA request), as required under the Economic Aid Act.

You must submit documentation demonstrating a reduction in gross receipts<sup>4</sup> of 25 percent or greater between your reference period and your 2020 period (see below for additional information about permitted reference periods). You must provide one of the following (Applicants with affiliates must also provide one of the following per affiliate<sup>5</sup>):

- **Annual IRS income tax forms<sup>6</sup>** for 2019 and 2020 (required if you choose an annual reference period). ***If the entity has not yet filed a tax return for 2020, the Applicant must fill out the return forms, compute the relevant gross receipts value, and sign and date the return,*** attesting that the values that enter into the gross receipts computation are the same values that will be filed on the entity’s tax return.<sup>7</sup>
- **Quarterly income statements** for your reference period and your 2020 period (if you choose a quarterly reference period). ***The Applicant must sign and date the first page of each income statement and initial all other pages,*** attesting to their accuracy. If the income statements do not specifically identify the line item(s) that constitute gross receipts, the Applicant must annotate which line item(s) constitute gross receipts.
- **Quarterly or monthly bank statements** showing deposits for your reference period and your 2020 period (if you choose a quarterly reference period). The Applicant must annotate, if it is not clear, which deposits listed on the bank statement constitute gross receipts and which do not.

Additionally, you must also provide a **revenue reduction schedule** (“Revenue Reduction Schedule”) unless your income statements clearly show the total gross receipt amount for your reference period and your 2020 period. The Revenue Reduction Schedule should demonstrate how you calculated your gross receipts (including any affiliate gross receipts required by the SBA affiliation rules) for each of these periods. The Revenue Reduction Schedule should (i) show the calculation used to determine your gross receipts amount for each of these periods using the numbers provided in your Supporting Documents, and (ii) clearly indicate the Supporting Document(s) used for each number (see Appendix A for an example of an appropriate Revenue Reduction Schedule). If the numbers used on your Revenue Reduction Schedule cannot be substantiated with your Supporting Documents or the total gross receipts listed on your Revenue Reduction Schedule for each of these periods do not match your gross receipts provided in your application, it may cause delays in processing your application. Please see SBA rules, for information on how to calculate your gross receipts.

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<sup>3</sup> Please review the SBA’s affiliation rules, as applicable to the PPP (86 Fed. Reg. 3692, 3698-99 (Jan. 14, 2021)).

<sup>4</sup> Please review the SBA’s rules defining gross receipts (86 Fed. Reg. 3712, 3718 (Jan. 14, 2021)) and How to Calculate Revenue Reduction and Maximum Loan Amounts for Second Draw PPP Loans for information on what should be included and excluded from gross receipts.

<sup>5</sup> Please review the SBA’s rules for calculating the gross receipts of affiliates (86 Fed. Reg. 3712, 3718 (Jan. 14, 2021)).

<sup>6</sup> Entities that use a fiscal year that differs from the calendar year to file taxes may document a reduction in gross receipts with income tax returns only if their fiscal year contains all of the second, third, and fourth quarters of the calendar year (i.e., have a fiscal year start date of February 1, March 1, or April 1).

<sup>7</sup> The amounts required to compute gross receipts varies by the entity tax return type. Please review How to Calculate Revenue Reduction and Maximum Loan Amounts for Second Draw PPP Loans for information on what amounts should be used.

Notes with respect to Revenue Reduction Documentation

Reference period. The appropriate reference period for determining revenue reduction depends on how long you have been in operation:

- For all entities (other than those specifically set forth below):
  - Applicants must demonstrate that gross receipts in any calendar quarter of 2020 were at least 25% lower than the same quarter of 2019. Alternatively, Applicants may compare annual gross receipts in 2020 with annual gross receipts in 2019 if they were in business in 2019; Applicants choosing to use annual gross receipts must enter “Annual” in the reference period and 2020 period fields and must submit copies of annual tax forms substantiating the annual gross receipts reduction.
- In operation Q3 and Q4 2019 but not Q1 or Q2 2019:
  - For entities not in business during the first and second quarters of 2019 but in operation during the third and fourth quarters of 2019, Applicants must demonstrate that gross receipts in any quarter of 2020 were at least 25% lower than during either the third or fourth quarters of 2019.
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- In operation Feb. 15, 2020 but not during 2019:
  - For entities not in business during 2019 but in operation on February 15, 2020, Applicants must demonstrate that gross receipts in the second, third, or fourth quarter of 2020 were at least 25% lower than the first quarter of 2020.

**The Small Business Administration and the Department of Treasury continue to provide additional guidance concerning the Paycheck Protection Program. Thus, Bank of America makes no representation that information contained herein is up to date or complete. Before submitting your PPP loan application, Applicants should visit the SBA, U.S. Treasury Assistance for Small Businesses and U.S. Treasury FAQ websites for the latest information and guidance related to the Paycheck Protection Program.**

**Appendix A – Sample Revenue Reduction Schedule**

*Sample Revenue Reduction Schedule – Bank Statements*

**Reference Period:** \_\_\_\_\_

	<b>Gross Receipt Amount</b>	<b>Relevant Document Reference</b>
	\$2000.00	Bank Statement dated _____
	\$3000.00	Bank Statement dated _____
	\$4000.00	Bank Statement dated _____
<b>Reference period gross receipts</b>	<b><u>\$9,000.00</u></b>	

**2020 Period:** \_\_\_\_\_

	<b>Gross Receipt Amount</b>	<b>Relevant Document Reference</b>
	\$1000.00	Bank Statement dated _____
	\$1000.00	Bank Statement dated _____
	\$1000.00	Bank Statement dated _____
<b>2020 period gross receipts</b>	<b><u>\$3,000.00</u></b>	