

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

## ACCOUNTING

# PPP Applicants Should Use Gross Payroll Approach in Calculations, Says AICPA

For the calculation of the Average Monthly Payroll cost under the Paycheck Protection Program (PPP), the Gross Payroll approach should be used for the application, according to the recommendation from the AICPA-led small business funding coalition.

Apr. 05, 2020



**Paycheck Protection Program  
Borrower Application Form**

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

<b>Check One:</b> <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other	<b>DBA or Tradename if Applicable</b>  _____
<b>Business Legal Name</b>	
<b>Business Address</b>	
<b>Business TIN (EIN, SSN)</b>	<b>Business Phone</b>
(   )   -   _____	(   )   -   _____
<b>Primary Contact</b>	<b>Email Address</b>
_____	_____

Average Monthly Payroll:	\$ _____	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$ _____	Number of Employees: _____
<b>Purpose of the loan (select more than one):</b> <input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____				

**Applicant Ownership**

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address

*If questions (1) or (2) below are answered "Yes," the loan will not be approved.*

For the calculation of the Average Monthly Payroll cost under the Paycheck Protection Program (PPP), the Gross Payroll approach should be used for the application, according to the recommendation from the [AICPA-led small business funding coalition](#). This recommendation was developed in conjunction with the National Payroll Reporting Consortium (NPRC). It comes after the additional guidelines Treasury and the Small Business Administration (SBA) issued on Thursday.

For the calculation of the Average Monthly Payroll cost, we recommend that payroll providers and CPAs use Gross Payroll based on 2019 data versus Net Payroll (defined as Gross Payroll less federal withholding and employee FICA). Neither the CARES Act nor the recent guidance instructs the PPP applicant to exclude federal withholding and employee FICA for the 2019 period. The Average Monthly Payroll cost includes Gross Payroll and the other defined PPP payroll cost elements such as health care, etc.

[Downloadable Paycheck Protection Program \(PPP\) Borrower Application Form.](#)

“Treasury and the SBA have acted quickly to generate this small business stimulus. As key stakeholders in the implementation of the PPP relief, we are collectively working to drive consistency in the interpretation of the administration’s guidance. Our goal

is to help produce an efficient application process to quickly get the funds in the hands of small businesses and their employees,” said Erik Asgeirsson, president and CEO of CPA.com.

Mark Koziel, CPA, CGMA, the AICPA’s executive vice president of firm services, added, “Based upon statements from members of Congress, it appears that the intent of the PPP was to base the salary calculation on gross wages with no adjustment for federal taxes. This ensures that payroll tax expenses are not passed on to the small businesses in need. In a program of this magnitude, it’s expected that guidance will evolve and terms will be clarified.”

The AICPA also said that its discussions with Treasury, SBA, banks and payroll processors to address these and other issues are ongoing and that it will keep its members, coalition partners and small businesses updated on the efforts to protect Main Street America.

The American Institute of CPAs (AICPA) is the world’s largest member association representing the CPA profession, with more than 429,000 members in the United States and worldwide, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

[Accounting](#) • [Income Tax](#) • [Payroll](#) • [Small Business](#) • [Taxes](#)

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2023 Firmworks, LLC. All rights reserved