

farmdoc**DAILY** LIVE | Coronavirus and Ag

The PPP of the CARES Act



Dale Lattz



Nick Paulson



Bob Rhea

Background - March 27, 2020

President Trump signed P.L. 16-136, the **C**oronavirus **A**id, **R**elief, and **E**conomic **S**ecurity (**CARES**) Act into law.

The law included \$349 billion for the creation of the **Paycheck Protection Program (PPP)**.



Background - SBA

PPP is new **Small Business Administration (SBA)** program to help small businesses keep employees on the payroll and bring back workers who have been laid off.

Program offers 100% percent SBA guaranteed loans up to **2.5 times** the borrower's average **monthly payroll cost** with \$10 million maximum limit.

Background - Loans

Loans can be issued

- between April 3, 2020 and June 30, 2020
- **or until funds are all used up.**

Typical SBA requirements waived such as:

- no loan fees
- no requirement to acquire credit elsewhere and be turned down
- no collateral needed and no personal guarantee required

Background - Loans

Potential to have principal and interest forgiven.
Otherwise 2-year term at 1% interest rate.

As part of application process,
must certify a number of items,
including “**Current economic uncertainty** makes this
loan request necessary to support the ongoing operations
of the Applicant”

Where Do I Apply?

- Any existing SBA lender.
- A Farm Credit Institution that is participating.
- Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.
 - Due to anticipated high demand for the program, some lenders only working with existing customers.
 - If you haven't already, it is recommended that you contact your lender soon if you want to apply.

Eligibility: Must have been in operation on February 15, 2020 and meet one of the following criteria:

- **Small business with fewer than 500 employees**
- A small business that otherwise meets the SBA size standards
- A 501(c) (3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- **An individual who is self-employed who regularly carries on any trade or business**
- A few other definitions

Loan Amount

- **2.5 times** the borrower's average **monthly payroll cost**, capped at \$10 million.
- Can calculate payroll costs from previous 12 months or calendar year 2019.
- Additional rules for seasonal businesses.

Example: A business had an annual payroll of \$120,000 in 2019 with no one employee receiving over \$100,000.

Loan amount = \$25,000 ($\$120,000 / 12 \times 2.5$)

Payroll Costs

- Compensation to employees (salary, wage, commissions, or similar compensation, payment of cash tips or equivalent).
- Payment for vacation, parental, medical or sick leave.
- Payment required for the provisions of group health care benefits, including insurance premiums.
- Payment for retirement benefits.
- **For an independent contractor or sole proprietor: wages, commissions, income, or net earnings from self-employment income or similar compensation.**

Payroll Costs for Self-Employed

- First, to be eligible, must have or will file **2019 Form 1040 Schedule C, assume Schedule F qualifies.**
- Self-employed, no employees, use your net profit from 2019 Form 1040 Schedule C (Schedule F). **Limited to \$100,000.**
If net profit \$0 or less, not eligible.
- Self-employed with employees,
use your net profit plus 2019 employee gross wages.
If negative net profit, set at \$0.

Eligible Uses of Loan Proceeds

- Payroll costs
(as defined on previous slide)
- Mortgage interest obligations
- Rent obligations
- Utilities
- Other interest payments on business debt obligations accrued before February 15, 2020

Other conditions:

- Must be business related expenses
- 75% or more used for payroll costs
- Obligation generally in place before February 15, 2020
- For schedule C (F) filer, must have claimed or be entitled to claim these expenses on 2019 schedule C (F)

Forgiveness of the PPP Loan

- Loan and interest can be forgiven if the loan proceeds are used for forgivable purposes and employee and compensation levels are maintained
- Forgivable purpose same as eligible expenses
- **No more 25%** of the loan forgiveness may be attributable to **non-payroll costs**
- Eligible expenses paid during 8-week period after loan proceeds disbursed
- Amount of loan forgiveness reduced if a reduction in the number of employees or a reduction greater than **25% in wages paid** to employees

Eligible Use and Loan Forgiveness Self-Employed

- New term – **“owner compensation replacement”**
- One of the **eligible uses** for PPP loans for individuals with self-employment income is for **“owner compensation replacement”** based on the **2019 net profit from Form 1040 Schedule C (Schedule F)**. Not an actual cash expenditure??
- For purposes of determining loan forgiveness, **“owner compensation replacement”** included. Calculation based on **2019** net profits, limited to eight weeks (8/52) of **2019** net profits.

Questions Remaining???

- Eligibility of self-employment farmers, seems to be answered
- Calculation of payroll for self-employed individuals with little or no other wages paid, additional guidelines just released
- Self-employed individuals with multiple businesses
- Detailed calculation of loan forgiveness process, documentation needed
- Calculation of “payroll” for self-employed individuals for purposes of loan forgiveness, guidelines just released

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Upcoming Webinars

Getting the 2020 Crop Planted

11:00 to 11:45am CT, Friday April 17th

Even with good corn and soybean yields following record-late planting in 2019, there is increased urgency in getting the 2020 crops planted on time. Emerson Nafziger will talk about the start of the 2020 planting season, current conditions, and planting date, depth, and seeding rate decisions in the coming weeks.

The Impact of the Coronavirus Pandemic on Food Prices and Retail Food Sector

11:00 to 11:45am CT, Tuesday April 21st

The retail food sector has been put under substantial stress by the coronavirus pandemic. What started out with runs on toilet paper quickly escalated to empty meat and bread aisles at grocery stores. Scott Irwin will join Jayson Lusk of Purdue University to discuss the how the pandemic has impacted food prices and logistical issues in this crucial sector of the American economy.

Thank You for joining us!

Please submit your questions



The screenshot shows the farmdoc website interface. At the top, there's a navigation bar with 'ILLINOIS', 'EXTENSION', 'farmdocDAILY', and 'Farm Policy News'. Below that is the 'farmdoc DECISION OUTREACH CENTRAL' logo and a menu with 'Market Prices', 'Sections', 'Tools', 'Publications', 'Events', 'Sponsors/Donate', and 'About Us'. The main content area is titled 'Coronavirus and Ag' and features a 'Submit Questions' button. Below this, there's a section for 'farmdoc daily live: Coronavirus and Ag' with filters for 'View All', 'See Upcoming', and 'Register For Series'. The page displays a grid of webinar recordings with titles, dates, and 'Watch Video' or 'Download Slides' buttons. The recordings include: 'Setting the Stage' (March 17th, 2020), 'Lessons from Infectious Disease and Livestock' (March 24th, 2020), 'Financial Perspectives on Agriculture and Coronavirus' (March 27th, 2020), 'Global Transportation and Cash Flow Considerations' (March 31st, 2020), 'Outlook and Farm Policy Moving Forward' (April 3rd, 2020), 'Acreage Decisions 2020' (April 7th, 2020), 'Impacts of Covid-19 on Agricultural Assets and Lending Markets' (April 10th, 2020), 'Scott Irwin and Jeff Bunting on Crop Supply Logistics this Spring' (April 14th, 2020), 'Rural Economy Stimulus: CARES and PPP Funding' (Thursday, April 16th, 2020 at 1:30 CST), 'Getting the 2020 Crop Planted' (April 17th, 2020), 'The Impact of the Coronavirus Pandemic on Food Prices and Retail Food Sector' (April 21st, 2020), and 'Gardner Policy Group' (April 24th, 2020).

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