

Paycheck Protection Program: Who is eligible & How to apply

Live Webinars: July 27, 12:00 pm to 1:15 pm
July 28, 7:00 pm to
8:15 pm

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Overview of Paycheck Protection Program

- Created by CARES Act to help employers keep employees
- PPP: A *forgivable* loan to cover 2.5 months' worth of payroll costs for small businesses, including farmers, impacted by COVID-19. Apply by August 8.
- PPP vs. EIDL



Mythbusting: I don't think I qualify because...

- I don't have employees
- My farm is seasonal
- My farm is very small
- I don't want debt
- A lender told me back in April this wasn't for me
- I don't think I have COVID-19 related losses
- I don't think I have enough COVID-19 related losses
- Don't most people get denied?!?



Challenges in early days of PPP

- Fast rollout
- Administered by local lenders
- Misconception that farms did not qualify (7a vs 7b)
- Lack of clarity on payroll expenses
- Ran out of money in April



PPP: General Eligibility Rules

- Eligible Businesses
 - Businesses with 500 or fewer employees (including tribal, non-profit, and veterans organizations)
 - Agricultural producers, farmers, and ranchers with 500 or fewer employees
 - Self-employed individuals, sole proprietorships, and independent contractors
- In business as of February 15, 2020
 - *For seasonal employers can be any 8-week period between May 1, 2019 and September 15, 2019
- Certification: “Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.”

Other PPP Rules:

- PPP Loan amount determined using 2019 payroll costs
 - Note: businesses w/ employees can use Jan. 1, 2020-Feb. 29, 2020 payroll (self-employed must have 2019 Schedule C or Schedule F)
- Eligible Uses of PPP Money
 - 2019 Payroll costs
 - Includes: (1) salaries, wages, tips; and (2) employee benefits (vacation; parental, family, medical or sick leave; retirement); (3) state/local taxes on employee compensation
 - Rent, utilities, mortgage interest payments

Do I qualify? I have no employees.

- Probably, if you have positive net farm income from 2019 Schedule F
- To be eligible:
 - In operation as of February 15, 2020
 - Self-employment income (as sole proprietor, independent contractor, etc)
 - Principal place of residence is in the United States
 - Have filed (or intend to file) 2019 Schedule F
- Maximum PPP loan amount:
 - Average monthly net profit (2019 Schedule F net farm income \div 12)
x 2.5
PPP loan amount

Do I qualify? I have employees.

- Probably, if you declared your payroll. Use your 2019 Schedule F, Form 943, and records of employee benefits.
- Don't need positive net farm income for this option.
- Maximum PPP loan amount:
 - Average monthly payroll for employees whose principal place of residence is in the U.S. (can include wages & health insurance contributions)
x 2.5
PPP loan amount

Do I qualify? I only have seasonal employees.

- Probably, if you declared your payroll. Use your 2019 Schedule F, Form 943, and records of employee benefits.
- Average monthly payroll can be either: (1) Average between February 15, 2019 and June 30, 2019; or (2) any 12-week period between May 1, 2019 and September 15, 2019
- Maximum PPP loan amount:
 - Average monthly payroll for employees w/ principal place of residence in the U.S. (can include wages & health insurance contributions)
x 2.5
PPP loan amount

What information do I need to fill in the application?

Generally:

2019 Schedule F

2019 Form 943

If you make pre-tax benefits contributions,
this information is needed, too.

[SBA created a helpful guide.](#)



Without employees, line 34 is key.

With employees, Form 943 + benefits is helpful.

Internal Revenue Service (97) Schedule F (Form 1040 or 1040-SR) 2019

Name of proprietor _____

A Principal crop or activity _____

B Enter code from Part IV _____

C Accounting method Cash Accrual

D Employer ID number (EIN) (see instr.) _____

E Did you "materially participate" in the operation of this business during 2019? If "No," see instructions for limit on passive losses Yes No

F Did you make any payments in 2019 that would require you to file Form(s) 1099? See instructions Yes No

G If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method, complete Parts II and III, and Part I, line 9.)

1a	Sales of livestock and other resale items (see instructions)	1a	
b	Cost or other basis of livestock or other items reported on line 1a	1b	
c	Subtract line 1b from line 1a	1c	
2	Sales of livestock, produce, grains, and other products you raised	2	
3a	Cooperative distributions (Form(s) 1099-PATR)	3a	
3b	Taxable amount	3b	
4a	Agricultural program payments (see instructions)	4a	
4b	Taxable amount	4b	
5a	Commodity Credit Corporation (CCC) loans reported under election	5a	
5b	CCC loans forfeited	5b	
5c	Taxable amount	5c	
6	Crop insurance proceeds and federal crop disaster payments (see instructions):		
a	Amount received in 2019	6a	
6b	Taxable amount	6b	
c	If election to defer to 2020 is attached, check here <input type="checkbox"/>	6d	Amount deferred from 2018
7	Custom hire (machine work) income	7	
8	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	8	
9	Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions	9	

Part II Farm Expenses—Cash and Accrual Method. Do not include personal or living expenses. See instructions

10	Car and truck expenses (see instructions). Also attach Form 4562	10		23	Pension and profit-sharing plans	23	
11	Chemicals	11		24	Rent or lease (see instructions):		
12	Conservation expenses (see instructions)	12		a	Vehicles, machinery, equipment	24a	
13	Custom hire (machine work)	13		b	Other (land, animals, etc.)	24b	
14	Depreciation and section 179 expense (see instructions)	14		25	Repairs and maintenance	25	
15	Employee benefit programs other than on line 23	15		26	Seeds and plants	26	
16	Feed	16		27	Storage and warehousing	27	
17	Fertilizers and lime	17		28	Supplies	28	
18	Freight and trucking	18		29	Taxes	29	
19	Gasoline, fuel, and oil	19		30	Utilities	30	
20	Insurance (other than health)	20		31	Veterinary, breeding, and medicine	31	
21	Interest (see instructions):			32	Other expenses (specify):		
a	Mortgage (paid to banks, etc.)	21a		a	.....	32a	
b	Other	21b		b	.....	32b	
22	Labor hired (less employment credits)	22		c	.....	32c	
				d	.....	32d	
				e	.....	32e	
				f	.....	32f	
33	Total expenses. Add lines 10 through 32f. If line 32f is negative, see instructions	33					
34	Net farm profit or (loss). Subtract line 33 from line 9	34					

If a profit, stop here and see instructions for where to report. If a loss, complete lines 35 and 36.

35 Reserved for future use.

36 Check the box that describes your investment in this activity and see instructions for where to report your loss:

a All investment is at risk. b Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11346H Schedule F (Form 1040 or 1040-SR) 2019

Example: Let's do some math

If line 34 of the Schedule F was \$42,000 and you have no employee payroll then

$$\$42,000/12 \times 2.5 = \$8,750.$$

\$8,750 is the requested PPP amount.

Tips for successfully applying

- Gather all the needed tax documentation.
- Fill out the SBA application ahead of time.
- Be aware some lenders use their own forms.
- Advocate for your eligibility.
- Don't wait until the week of August 8.

Potential issues with lenders

- Misconception that ag is not eligible
- May prefer to work with existing clients
- May not have accessible applications -- even national SBA does not currently have Hmong or Somali translations of the PPP application available online
- But--there are many lenders looking to help!



Lenders who have agreed to offer PPP loans



SBA keeps an updated list by state at: sba.gov/document/support-paycheck-protection-program-participating-lenders

Still pondering where to go? Ask your fellow farmers. Did they have a good experience?

Meeting forgiveness requirements of a PPP loan

- 100% forgiveness of PPP loan principal and interest is possible
- To receive 100% forgiveness of PPP loan:
 - 60% used on payroll costs or owner compensation replacement
 - 40% used for utilities, mortgage interest, and/or rent
 - Wages remain within 75% of what they were during Q1 of 2020
 - Number of FTE employees remains the same
- Up to 24 weeks to use funds
- If rules not fully followed, can receive partial forgiveness
- Any part of PPP loan not forgiven has 1% interest over five years

What do you do if you're denied?

- If denied for a PPP loan, or for loan forgiveness, the borrower can appeal to SBA.
- SBA says it will issue another rule to outline the appeals process, but to date they have not.



Dan's PPP Experience



Question and Answer

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