



CARES Act's Emergency Resources for Farm Businesses: Paycheck Protection Loan Program

Ag business specialist [Elizabeth Higgins](#), with the CCE Eastern NY Commercial Horticulture Team and a member of our program's advisory board, prepared the following [guidance to help farm businesses](#) in their preparation to apply for this low interest, forgivable loan program.

The recent CARES Act provided additional emergency funding through Small Business Administration (SBA) for businesses who are facing losses due to CORVID-19. If you are a farm business, the most important program to be aware of right now is the Paycheck Protection Loan Program, which was authorized in the CARES Act. Farms that meet SBA small business thresholds are eligible to apply for this low interest, forgivable loan program. The other important feature of the PPP is that the loans are first come first served, until funding is expended. If this program seems like it would be of assistance to you, do not delay but contact your bank as soon as possible to see if they are participating in this program. If they are not, Farm Credit is participating. Also, note that SBA's definition of a small business and USDA's definition of a small farm are NOT the same and you are held to the much more generous SBA standard (generally fewer than 500 employees) for this program.

Paycheck Protection Loans are available as of April 3, 2020 to cover payroll costs, utilities, mortgage interest or rent. The interest rate on the Paycheck Protection Loan is .5%, with a maturity of 2 years. The first payment due is delayed for 6 months from origination of the

loan. For many businesses this loan could be a very affordable way of accessing working capital this year by freeing up the cash you have on hand for other purposes.

Paycheck Protection Loans will be made by any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. If you have a relationship with a bank, you should check to see if they are approved as a lender by SBA or are participating in this program. Because this loan program rolled out so quickly, banks are favoring making loans to borrowers that they have a relationship with. The loans require no collateral, no personal guarantees, and no borrower or lender fees payable to SBA and the loans are 100% guaranteed by the US Government.

The actual amount you are eligible to receive for a loan will be determined by a formula based on your average monthly Payroll Costs during the 12-month period before the loan is made multiplied by 2.5. Paycheck Protection Loans are subject to a \$10 million cap.

Besides the low interest rate, the most attractive part of the Paycheck Protection Loan Program is loan forgiveness. Borrowers may apply to their lender for forgiveness of Paycheck Protection Loans. The amount that may be forgiven will be equal to amounts from the loan used by the borrower during the eight-week period beginning on the date the loan is initially funded for the following uses:

- payroll costs,
- mortgage interest payments,
- rent payments, and
- utility payments.

The amount forgiven may not exceed the principal amount of the loan. SBA anticipates that the forgivable amount of the loan that is used for non-payroll costs will be limited to 25% of the total amount forgiven. So for a \$10,000 loan only \$2,500 of non-payroll costs could be forgiven. This is because the primary purpose of the program is to help businesses afford to keep workers employed. You can only apply for this loan once, so it would make sense, given the low interest rate, to make sure that you apply for the amount you need to maintain liquidity and keep your business viable – not just take advantage of the grant-portion of the program.

Eligible payroll costs that can be paid for by the loan include:

- salary, wage, commission or similar compensation (subject to a limit of \$100,000 per person in wages paid per year or for payments to any independent contractor),
- a cash tips or equivalent,
- payment for vacation or parental, family, medical or sick leave,
- allowance for dismissal or separation, and
- payments for group healthcare benefits, retirement benefits, and state and local taxes assessed on employee compensation.

Payroll costs that can be covered by the loan do not include income tax withholding for wages, any compensation to any employee whose principal residence is not in the United States, and qualified sick leave wages or qualified family leave wages for which a credit is allowed under the Families First Coronavirus Response Act. The limitation on employees whose principal residence is not in the US would likely restrict the use of these funds for H2A wages. The rules for this program have not been written yet so that could change.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Borrowers that rehire employees will not be penalized for having a reduced payroll at the time of the loan. Specifically, the amount of loan forgiveness will not be reduced as a result of a reduction in employees or in wages and salaries that occurred between February 15, 2020 and 30 days after the enactment of the CARES Act, if the reduction is reversed by June 30, 2020.

Any amounts forgiven under a Paycheck Protection Loan will be excluded from income for tax purposes. However, taking advantage of forgiveness under the Paycheck Protection Loan Program may disqualify an employer from the payroll tax deferral benefit under the CARES Act, and receipt of a Paycheck Protection Loan is an alternative to the wage credit available under the CARES Act for businesses experiencing a closure related to COVID-19.

Businesses that wish to obtain a Paycheck Protection Loan will need to confirm that they are a small business or other eligible recipient, use the proceeds for only authorized purposes and, assuming they wish to take advantage of loan forgiveness, determine how much of the Paycheck Protection Loan will be forgivable. SBA has made a [sample application form](#) available so that you can see what is likely to be asked, but your bank's form may vary.

It is also important to know that new programs are being developed at warp speed – this information may be dated by the time you read this! So, if this program is not a good fit for your COVID-19 losses, there will be other programs or rule changes soon, and you should also let your local elected officials and industry groups know what your business needs are. Also keep in touch with your CCE contacts, lender, or other industry groups you belong to for updates.

Webinars on CARES and Paycheck Protection Loans

[COVID-19 Financial Assistance for Farms & Small Businesses](#)

Monday, April 6 from 12 p.m. to 1:30 p.m.

PASA is hosting a webinar to review financial relief available to farmers and small businesses through the CARE Act recently passed by Congress, including emergency, incentive, and investment support. They'll also discuss other considerations for managing financial challenges presented by the coronavirus pandemic. [Learn more.](#)

Paycheck Protection Program Basics and How Your Business May Qualify

Monday, April 6 at 2 p.m.

Join Farm Credit East on this webinar to learn the basics of the program, what size loan you may qualify for and how this program could assist your ag businesses with near-term payroll expenses. [Learn more.](#)

What the Tax and Payroll Provisions of the Families First Coronavirus Response Act & CARES Act Mean for Your Business

Recorded webinar

This educational Farm Credit East webinar covered the payroll and tax provisions outlined in the newly passed Family First Coronavirus Response Act (FFCRA). Senior Tax Consultant, Dario Arezzo, reviewed some of the provisions outlined in FFCRA, including emergency leave and payroll tax credits. In addition, key tax provisions of the Coronavirus Aid, Relief and Economic Security (CARES) Act – including filing deadline changes, rebates, retirement accounts and more – were also covered. [Learn more.](#)

For Additional Information:

The [Cornell Small Farms Program](#) is keeping a list of resources for farms to build resiliency through potential impacts from COVID-19.

The [Cornell EDEN website](#) is the hub of information for COVID-19 issues and resources.

The [Cornell Ag Workforce](#) is a great resource for updates on labor management issues and programs and policies related to ag workforce issues and COVID-19.

For additional information and guidance on the Paycheck Protection Loan Program, the U.S. Treasury has created a [fact sheet for lenders](#) and a [fact sheet for borrowers](#).

Stay Connected

Do you have farm-related questions? Sometimes local questions are best answered by your neighborhood Cornell Cooperative Extension agent. [Find your local contact.](#)

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