# PPP and EIDL Loans—What Farmers Should Know

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## Paycheck Protection Program

SBA is **currently offering PPP loans until May 31, 2021**.

The Paycheck Protection Program (PPP) provides loans to businesses to keep their workforce employed during the Coronavirus (COVID-19) crisis. Farmers are eligible for PPP loans through the Small Business Administration (SBA), if they have fewer than 500 employees. Borrowers may be eligible for PPP Loan Forgiveness if certain conditions are met.

The PPP loans are facilitated through participating lending institutions with established SBA relationships. Farmers can also work with the Farm Credit Service organization that services their geographic area. Some lenders and Farm Credit Services are limiting their PPP lending to businesses with whom they have existing relationships. The SBA offers a map and search function for those seeking a PPP loan and looking for eligible PPP lenders. After reviewing the eligibility criteria below, **the first recommendation is for farmers to call their current lender(s) to see if they have that SBA relationship and ask if they are accepting PPP applications**. Be sure to inquire if the lender has their own loan restrictions, application form and documentation requirements.

**Who may qualify?**
Small businesses and farms who have fewer than 500 employees (those receiving W2s in the previous year) may qualify. Independent contractors/self-employed farmers and small businesses are also eligible to make their own applications to this program. Partners in partnerships or members of an LLC taxed as a partnership should submit one PPP application for the partnership/LLC. The self-employment income of general active partners or LLC members/managers can be reported as payroll costs (up to $100,000 annual salary basis) filed on behalf of the partnership or LLC.

**How much can a farmer borrow through the PPP loans?**
The amount of the loans are 2.5 times the amount of your average monthly payroll costs from the prior 12 months or the 2020 / 2019 calendar year, capped at $10 million. For specific direction on calculating the loan, the SBA website has details on how to calculate First Draw PPP loan amounts based on the type of business entity. See below for loan amount calculations.

**Payroll costs included in the calculation**
Payroll costs, including wages, benefits, such as paid leave, health care benefits, any allowance for dismissal or separation, and any state and local taxes assessed on employee compensation, are included in the calculation for the PPP loan amount. The portion of federal taxes that are normally taken from the employee's gross wages can be included in the calculations and used to pay their portion of federal employment tax. Housing stipends or allowances are considered part of payroll and subject to the $100,000 per employee limits.

**Excluded from payroll costs**
The employer's share of payroll taxes should be excluded from the calculations.

The PPP cannot cover the costs of paying independent contractors (those who get 1099s instead of W2s). Independent contractors and other self-employed individuals, including farmers, should apply for their own PPP loans.

The PPP loan cannot cover payroll for those employees whose principal address is not within the United States. See IRS regulations (26 CFR § 1.121-1(b)(2)) for additional guidance on determining an employee's principal place of residence.

Qualified sick and family leave for which a credit is allowed under section 7001 and 7003 of the Families First Coronavirus Response Act is also not covered.

**How does a farmer with employees calculate the loan amount?**

**Step 1:** Calculate payroll costs by adding the following:
**Step 2**: Divide the total amount from Step 1 by 12.
**Step 3**: Multiply the amount from Step 2 by 2.5.

**Step 4**: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

**Can a farmer without employees receive a loan for their own lost income?**
Self-employed farmers and ranchers (i.e., those who report their net farm profit on IRS Form 1040 Schedule 1 and Schedule F) should use IRS Form 1040 Schedule F.

**Step 1**: Find your 2019 or 2020 Form 1040 Schedule F line 9 for gross income amount. If this amount is over $100,000, reduce it $100,000.

**Step 2**: Calculate the average monthly gross income

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