PPP and EIDL Loans—What Farmers Should Know cont'd from page 5

amount by dividing the number from Step 1 by 12.

Step 3: Multiply the average monthly next profit 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 (which does not have to be repaid).

Only self-employed who file a Schedule F (self-employed farmers/ranchers) can use gross income to determine the loan amount. Farmers that file taxes as partnerships must calculate by using net earnings. More information about calculating loan amounts based on the type of business structure can be found the SBA website page: https://www.sba.gov/document/support-how-calculate-first-draw-ppp-loan-amounts.

How to calculate the loan if you're a seasonal employer
Seasonal employers can determine their maximum loan amounts by selecting any 12-week period between February 15, 2019 and February 15, 2020 and using the average total monthly payroll costs and multiplying by 2.5.

How can these loan proceeds be used?

- Owner compensation replacement (for the self-employed).
- Payroll costs.
- Cost related to the continuation of:
  - employee benefits, and
  - employee benefits during periods of paid sick, medical or family leave.
- Mortgage interest payments (but not prepayments or principal payments) on business mortgage on real or personal property.
- Business rent payments.
- Business utility payments.
- Interest payments on other debts incurred before 2/15/20 (not forgivable).
- Refinancing a SBA EIDL loan made between Jan. 31, 2020 and Apr 3, 2020.

The Economic Aid Act that was signed into legislation on December 27, 2020 made additional business costs eligible. Those four additional categories of eligible non-payroll expenses include:

- Certain operational expenses, such as payments for software, cloud computing services, human resource and accounting needs.
- Property damage costs: defined as costs that are related to property damage and vandalism or looting due to public disturbances that occurred during 2020 and not already covered by insurance or other compensation.
- Supplier costs, i.e., expenditures that a borrower made to a supplier of goods pursuant to a contract, purchase order, or order for goods in effect before the borrower's applicable PPP loan disbursement that were essential to the borrower's operations at the time the expenses were incurred.
- Worker protection expenses, such as the costs of personal protective equipment for employees or expenses including capital costs to adapt the business to comply with federal, state, or local requirements or guidance with respect to the COVID-19 pandemic.

Are these truly forgivable loans?
At least 60 percent of the PPP loan proceeds must be used for payroll expenses. If an EIDL is refinanced, that amount will be used in the calculation to determine the percentage used for payroll costs. If 60 percent is not used for payroll, a proportionate amount of the loan can be forgiven.

If PPP funds are used for unauthorized purposes, the borrower will be required to repay the loan. Additional liability may be placed on a borrower who knowingly uses the funds for unauthorized purposes. This additional liability could include charges for fraud.

PPP loans will be forgiven as long as:

- The loan is used to cover payroll costs, and mortgage interest, rent, and utility costs over the 24-week period after the loan is made; and
- Employee and compensation levels are maintained. Unless an exemption to maintaining these levels applies to the farm's or business's circumstances.
- For a loan to be completely forgiven, no more that 40% of the loan can be used for anything other than payroll. For example, if you use 45% of the loan for mortgage interest, rent and/or utilities, you are required to pay back 5% of the total loan because that is the amount over the 40% you spent on things other than payroll costs.

If someone is required to pay back a portion of the loan, what are the loan terms?

- Interest at 1%, accrues immediately.
- Payments deferred for six months.
- Loan due in two years if the loan was made before June 5, 2020. If the loan was made on or after June

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