

PPP Facts for Farmers with No employees

Not all farmers qualified for the Paycheck Protection Program (PPP) last year. In 2020, farmers had to have a profit to qualify for the loan program. The relief act signed into law on December 27, 2020 changed that. Below are some of the details for the current program which is available to small businesses with 500 or fewer employees.

What is the PPP program?

The PPP is a SBA guaranteed loan available through participating SBA lenders. PPP is intended to help businesses, including farmers, during the Covid-19 crisis. Loans are forgivable and are available until **May 31, 2021 or until funding is exhausted**, whichever comes first.

How Does It Work?

Farmers submit an application through their lender. Once approved, the bank disburses the funds and the borrower has up to 24 weeks to use the funds.

How much are the loans?

The calculation for self-employed farmers and ranchers without employees will use Schedule F line 9 (gross income) to determine the loan amount. The maximum loan amount is 2.5 months' worth of gross income with a gross income capped at \$100,000. Use 2019 or 2020 Schedule F, line 9 divided by 12 then multiplied by 2.5.

Examples:

Farm 1 – \$60,000 on Schedule F, line 9 divided by 12, multiplied by 2.5 = \$12,500 Loan Amount

Farm 2 - \$200,000 on schedule F, line 9 up to \$100,000 divided by 12, multiplied by 2.5 = \$20,833 Max Loan Amount

What documents do I have to provide?

You must provide the 2019 or 2020 (whichever you used to calculate the loan amount) Form 1040 Schedule F with your PPP loan application to substantiate the applied-for PPP loan amount and a 2019 or 2020 (whichever you used to calculate the loan amount) IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes you are self-employed. You must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020. You may also be asked for your LLC articles of organization, if applicable, and proof of identity – such as a driver's license.

What do I have to do to get the loan forgiven?

Borrowers qualify for full loan forgiveness if they use at least 60% of the loan to pay payroll (including owner withdrawals) and the rest of the loan for mortgage interest, rent, utilities, covered operations expense and worker protection costs. Forgiven loan amounts are non-taxable.

How do I apply?

Contact your existing lender to see if they are an SBA lender. If not [Lender Match](#) can help connect you with a lender. You can also [view all lenders near you on a map](#).

Your lender may have an online application on the bank website. If not, you can find the application at the link below. There is one application for all businesses. Look for the application under First Draw PPP Loans.

If I got a PPP loan last year, can I get another one?

First Draw PPP loans already forgiven make borrowers ineligible for another first draw loan. Otherwise, see your lender. If you had a 25% drop in revenue any quarter of 2020 versus the same quarter of 2019 you may be eligible for a Second Draw PPP loan which will be calculated in the same manner as the first PPP

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program>

Anything Else I Should know

- SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.
- PPP loans have an interest rate of 1% if not forgiven. No interest will be owed if the loan is completely forgiven.
- Loans issued prior to June 5, 2020 have a maturity of two years. Loans issued after June 5, 2020 have a maturity of five years.
- Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period (either 8 weeks or 24 weeks).
- No collateral or personal guarantees are required.
- Neither the government nor lenders will charge small businesses any fees.
- Lenders may prioritize existing clients due to high volume of PPP loan applicants.

Follow changes to these programs or learn about other farmer assistance at

<https://www.farmers.gov/coronavirus>

This document is for information purposes only. Please note that the information, interpretations and recommendations can and will change.

Every business is unique and no one knows your business like you do – validate and verify.

Be vigilant and protect yourself and your business against scams and risks, only provide your business information to reputable banks and institutions.

