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## What Changes Are in the New Stimulus Bill That Affect Farmers?

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On December 27, 2020, the Consolidated Appropriations Act (CAA) of 2021 was signed into law. There were many items in this legislation that affected farmers. There were changes to the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL) advance grants, and Employee Retention Credit (ERC), as well as, additions or extensions to other Farm Service Agency (FSA) programs. We will give an overview of the changes to the first three items in this article. For all of these programs, we are only explaining the new changes or additions. The original rules for PPP loans, EIDL Advances and ERC still apply that were not explicitly changed in CAA 2021.

### 2020 PPP Loan, EIDL, and ERC Changes

With this legislation, covered business expenses (such as mortgage interest, employee salaries, rent and utilities) that are paid with the PPP loan proceeds are now deductible on the tax return (They were originally not deductible). In addition, EIDL advance grants are now not taxable and they do not reduce PPP loan forgiveness. So prior to CAA 2021, a person that had a PPP loan and an EIDL Advance grant, had to reduce the amount of the PPP loan available for forgiveness by the EIDL Advance. Now the full amount of the PPP loan will be forgiven, regardless. In addition, there is now a simplified PPP forgiveness process for PPP loans less than \$150,000. For this type of forgiveness, documentation will not be required to be submitted to the lender, but still needs to be collected and retained by the borrower. Finally, in the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020, farmers and businesses could only pick ERC or a PPP Loan. CAA 2021 has given farmers and businesses the opportunity to participate retroactively in both. The only limitation to this change was that borrowers cannot use the same wages for calculating ERC and PPP loans.

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## **Farmer PPP**

One of the new features of the CAA is the New Farmer PPP Loan. A unique feature for farm borrowers is that they calculate their PPP loan amount based on their 2019 Schedule F (schedule to report farm income and expenses) gross receipts. This calculation is maxed at \$100,000 of gross receipts which will allow up to a maximum of \$20,833 PPP loan. This applies to farmers that did not take out a PPP loan the first time due to missing the deadline, lack of funds or a negative 2019 Schedule F. Also, if you did take out a PPP loan the first time, but could receive a larger loan with these new provisions, consider reapplying because there might be additional PPP loans proceeds for your farm. You will need to communicate with your lender to see if you qualify. If your 2020 loan was forgiven prior to December 27, 2020, then you are not eligible to reapply for a larger amount.

## **Second Draw PPP**

For those who received a 2020 PPP loan, you might be eligible to receive a Second Draw PPP loan in 2021. To qualify, any business must show a 25% drop in gross receipts when comparing each quarter in 2020 to each quarter in 2019. The same rules apply for calculation of the loan amount as in Farmer PPP. For farmers, the Second Draw PPP loan amount will likely be equal to what you received for your 2020 PPP loan.

## **Employee Retention Credit (ERC)**

With CAA 2021, you are now able to apply for ERC and a PPP Loan, but the same wages cannot be used for both stimulus payments. This applies retroactively to 2020 as well as for 2021. For 2020, the rules apply to wages paid from March 12, 2020 until December 31, 2020. Also for 2020, employers must show a 50% drop in gross receipts in any quarter from 2019 to 2020. In the quarters that does show a 50% reduction, the employer is eligible for ERC. However, eligibility ends in any quarter following the first quarter in 2020 where gross receipts are greater than 80% when compared to 2019. The maximum ERC in 2020 is \$5,000 per employee per year and it will be claimed on Form 943.

January 1, 2021 to June 30, 2021 is the time period for which the ECR calculation applies in 2021. For 2021, borrowers can receive a maximum of \$7,000 per employee per quarter. In order to be eligible for the ERC, you must have had a 20% reduction in gross receipts in a quarter to qualify for the 2021 credit. The ERC is claimed on Form 943.

## **Summary**

With all of these changes that were signed into law under the CAA 2021 at the end of year, careful review and application to your farm operation needs to be analyzed. Make sure you are working with your lender and tax preparer to see if any of these provisions are available to your farm operation. Good recordkeeping, communication with your trusted advisors and staying up to date on various topics is the key to a successful operation.

The author would like to acknowledge that material used in this article comes from items compiled as a group effort of members of the National Association of Farm Business Analysis Specialists (NAFBAS) and Illinois Farm Business Farm Management (FBFM) Association Economic Stimulus Team (EST). Without their work and cooperation, information as comprehensive as this would not be available for educational purposes. NAFBAS is a multi-state organization comprised of farm business analysis specialists, primarily in the Midwest. To learn more about NAFBAS, visit their website at [www.nafbas.org](http://www.nafbas.org). The FBFM EST is a team of field staff that research various stimulus topics and provide material and guidance to all FBFM field staff to help Illinois farmers. FBFM, which consists of 5,500 plus farmers and 65 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provide on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State Headquarters located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-8346 or visit the FBFM website at [www.fbfm.org](http://www.fbfm.org).