Economic Assistance for Agriculture during COVID-19

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The coronavirus pandemic has certainly altered all our lives. The impact is being felt by families, businesses, governmental agencies, and civic organizations. To help families and businesses alike, various levels of government have passed legislation to help lessen the economic blow of COVID-19. This article provides a brief overview of some of the assistance which has been made available. These include tax deadline provisions, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Families First Coronavirus Response Act, Ohio Bureau of Workers’ Compensation rebates, unemployment compensation, and Wind and Hurricane Indemnity Program, Plus (WHIP+)

**Tax Deadline Extensions:**
On March 21, 2020, the Internal Revenue Service extended the federal tax filing deadline for 2019 taxes from April 15 until July 15, 2020. The IRS encourages any taxpayer who is owed a refund to file as quickly as possible. The Ohio General Assembly through House Bill 197 also extended the deadline on March 25, 2020 to file Ohio Taxes until July 15, 2020.

**Coronavirus Aid, Relief, and Economic Security (CARES) Act**
The CARES Act was signed into law by President Trump on March 27, 2020. The CARES Act contains several provisions designed to sustain Americans during the COVID-19 health and economic crisis. Discussed here are the Paycheck Protection Program (PPP), the Coronavirus Food Assistance Program (CFAP) and the Deferred Payroll Tax Program.

**Paycheck Protection Program**
The Paycheck Protection Program expands the Small Business Administration (SBA) loan program for 100% federally-guaranteed loans to small employers and eligible self-employed individuals impacted by COVID-19. These loans are designed to be forgivable if specific requirements are met. Unlike many other SBA programs, farms/agricultural businesses are eligible provided they employ fewer than 500 employees. Eligible self-employed individuals including independent contractors may apply for a loan.

The SBAs guidance provides that the PPP loan proceeds can be used by a Schedule F filer for the following:
- Owner compensation replacement, calculated based on 2019 self-employment income.
- Employee payroll costs for employees whose principal place of residence is in the United States.
- Eligible mortgage interest payments on any business mortgage obligation on real or personal property, business rent payments, and business utility payments.
- Interest payments on any other debt obligations incurred before February 15, 2020.

The program has a maximum loan amount of the lesser of either $10 million or 250% of the average monthly payroll costs in the one year prior to the loan plus refinanced Economic Injury Disaster loans received after January 31, 2020. This loan has a maturity of 2 years and an interest rate of 1%. A borrower is eligible for loan forgiveness in an amount equal to the sum of certain payroll, mortgage interest, rent, and utility payments made during the 8-week period after the loan’s origination date.
Farms/businesses can apply through 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. The program is a first come first served program and the initial budget allocation of $349 billion allocation was exhausted by April 16, 2020. A second allocation of $310 billion was approved by Congress and signed by President Trump on April 24, 2020. Applications for the second round began to be accepted on Monday, April 27, 2020. This additional funding is expected to be exhausted quickly so farms and agribusinesses should apply as soon as possible.

More information about the program can be found at:

or at: https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses

Economic Injury Disaster Loans Program (EIDL)
Farm businesses and agricultural cooperatives with no more than 500 employees may also now apply for EIDL, which gives loans up to $2 million for businesses that suffer economic injuries due to COVID-19. Because the program ran out of funds, there is a backlog in EIDL applications and the SBA is not reopening the loan portal until it catches up with the backlog. If SBA does reopen the program, businesses apply directly through the SBA at: https://www.sba.gov/disaster-assistance/coronavirus-covid-19

Businesses may use an EIDL loan for fixed debt, payroll, accounts payable, and other operating expenses due to the pandemic, but cannot use the funds for the same purposes as the borrower’s PPP loan. The interest rate for EIDL is higher at 3.75% (2.75% for non-profits), but the term can be up to 30 years.

EIDL also includes an “emergency advance” component that provides a $10,000 advance within a few days of submitting an application. A borrower doesn’t have to repay the advance, even if the borrower doesn’t ultimately qualify for a loan. But if the borrower also has a PPP loan, the PPP forgiveness is reduced by the $10,000 EIDL advance. The emergency advance can go towards paying sick leave, payroll, increased materials costs, rental or mortgage payments, or other obligations due to revenue losses, as long as the borrower hasn’t used PPP funds for those costs.

Coronavirus Food Assistance Program (CFAP)
The CARES Act also allocated $48.7 billion dollars to the United State Department of Agriculture to mitigate the effects of COVID-19 on the production and supply of the United States’ food. On April 17, the preliminary details about CFAP were released by the U.S. Department of Agriculture (USDA) for this program targeted to assist farmers, ranchers, and consumers in response to the COVID-19 pandemic. The CFAP provides $19 billion in funds

The $19 billion program includes two major elements. The first element is for direct support to farmers and ranchers. This program can provide up to $16 billion in direct support to farmers based on actual losses where prices and market supply chains have been impacted by COVID-19. The program will also assist producers with additional adjustment and marketing costs resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID-19.

It has been reported, although not confirmed by the USDA, that in the direct support program, $5.1 billion will be allocated to support cattle producers, $3.9 billion for row crop producers, $2.9 billion for dairy, $2.1 for specialty crops, $1.6 billion for hog producers and $500 million for other commodities.

The Chairman of the Senate Agricultural Appropriations sub-committee has indicated the direct assistance to farmers will be made with one payment comprised of the sum of two parts. The first part is 85% of the losses incurred between January 1 and April 15, 2020 (per commodity). The second part will be 30% of the projected loss in market prices due to COVID-19 between April and October 15. Secretary Perdue has expressed that payments are intended to be made by end of May or early June. To qualify for a payment, a commodity must have declined in price by at least 5% between January and April 15, 2020. While several entities have illustrated price declines, including The Ohio State University, the price series USDA will use to determine eligibility is uncertain.
Federal payment limits apply, set at $125,000 per commodity with an overall limit of $250,000 per individual or entity. USDA has indicated that CFAP may take into consideration other farm program benefits when calculating payment limitations, which could limit CFAP payments in cases where a producer is receiving payments in other federal safety net programs. The exact program limitations and qualifying support are unknown at the present time. The direct payment program will be administered by the Farm Service Agency and the Agricultural Marketing Service. More details will be forthcoming by the Farm Service Agency in the upcoming weeks. Access more information at: https://www.fsa.usda.gov/

The remaining $3 billion dollars of the CFAP allocation will be used for a USDA purchase and distribution program. In this program, the USDA will partner with regional and local distributors to purchase $3 billion in fresh produce, dairy, and meat. The USDA will purchase an estimated $100 million per month of fresh fruits and vegetables, $100 million per month of a variety of dairy products, and $100 million per month of meat products. The distributors and wholesalers will then provide a pre-approved box of fresh produce, dairy, and meat products to food banks, community and faith-based organizations, and other non-profits to distribute. Monthly purchases totaling $300 million will continue until the funds are exhausted. Costs of purchasing products, and the packaging and distribution contracts are included in the $300 million per month purchases, so actual product purchases will be somewhat less than $300 million.

Deferred Payroll Tax Program
The CARES Act also includes a Deferred Payroll Tax Program which provides employers the opportunity to temporarily defer payment of the employer’s portion of the social security tax. It should be noted that this program can only be used if you are not using the Paycheck Protection Program or have a loan forgiven by the Small Business Administration. Self-employed individuals may defer ½ of the self-employment tax. The delay is granted through the end of 2020, then taxes must be repaid in two equal installments on Dec. 31, 2021 and Dec. 31, 2022.

Families First Coronavirus Response Act (FFCRA or Act)
The FFCRA requires certain employers to provide their employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. The Department of Labor’s (Department) Wage and Hour Division (WHD) administers and enforces the new law’s paid leave requirements. These provisions will apply through December 31, 2020.

The Act requires private employers with fewer than 500 employees to provide paid sick leave when an employee is unable to work (or telework) due to a COVID-19 related illness. The provisions include two weeks (80 Hours) of paid sick leave paid at the employee’s regular rate (capped at $511/day) if the employee is quarantined and/or experiencing COVID-19 symptoms and is seeking a medical diagnosis. The provisions also include two weeks (80 hours) of paid sick leave at 2/3 of the employees regular rate (capped at $200 per day) if the employee is unable to work because they are caring for an individual with COVID-19 related illness or caring for children (under age of 18) if school/childcare is closed due to COVID-19.

A covered employer must provide expanded paid family and medical leave for up to an additional 10 weeks at 2/3 of the employee’s regular rate of pay (capped at $200 per day) when an employee is unable to work due to caring for a child whose school/day care provider is closed or unavailable due to COVID-19. Employers with fewer than 50 employees are eligible for an exemption from the requirements to provide leave to care for a child whose school is closed, or child care is unavailable in cases where the viability of the business is threatened.

Tax Credit: The Families First Coronavirus Response Act does provide business tax credits. Employers qualify for reimbursement through tax credits for all qualifying wages paid under FFCRA (dollar for dollar).

The complete CARES legislation can be found at: https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf
Ohio Bureau of Workers’ Compensation Rebates
The Ohio Bureau of Workers' Compensation's Board of Directors approved on April 10, 2020 to send up to $1.6 billion to Ohio employers to ease the economic impact of the coronavirus (COVID-19) pandemic on Ohio's economy and business community. The Ohio Bureau of Workers' Compensation is currently issuing dividends approximately equal to the 2018 premiums paid by the business less any outstanding balances and premiums due for March, April, and May 2020. Farms do not have to apply for this dividend as they will be automatically issued by the Ohio Bureau of Workers Compensation. The checks will expire in 90 days of issuance. More information can be found at: https://www.bwc.ohio.gov/downloads/blankpdf/COVID-19-BWCFAQs.pdf

Wind and Hurricane Indemnity Program, Plus (WHIP+)
This is not a program specifically related to Covid-19, rather the “plus” in this USDA program refers to the non-wildfire and hurricane weather conditions experienced in 2018 and 2019. Farmers who suffered losses to crops, bushes, vines or trees in 2018 and 2019 due to excess moisture or D3-D4 drought are eligible for WHIP+. All counties minus Cuyahoga County in Ohio are eligible in 2019 or if producers can provide documentation of losses from qualified natural disasters. More details about this program can be found at: https://u.osu.edu/ohioagmanager/2020/04/22/whip-not-only-applies-to-baseball-enrollment-at-fsa-now-open/

Unemployment Compensation
FFCRA provided additional flexibility for state unemployment insurance agencies and additional administrative funding to respond to the COVID-19 pandemic. The CARES Act also expanded the ability of each state to provide unemployment insurance for workers who are not ordinarily eligible for unemployment benefits including self-employed and 1099 individuals. The program is expected to open in mid-May.

More information about unemployment compensation can be obtained by contacting the Ohio Department of Job & Family Services at 1-877-644-6562 or http://ifs.ohio.gov/ouio/index.stm

More information on these programs can be found at:
The Treasury Department
https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses

Small Business Administration

CARES Legislation
https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf

Department of Labor - Families First Coronavirus Response Act
https://www.dol.gov/agencies/whd/pandemic/ffcra-employer-paid-leave


Ohio Bureau of Workers Compensation
https://www.bwc.ohio.gov/

Latest COVID-19 legislation to provide more funds for farm businesses
https://farmoffice.osu.edu/blog/mon-04272020-1142am/latest-covid-19-legislation-provide-more-funds-farm-businesses

Ohio Department of Job & Family Services
http://ifs.ohio.gov/ouio

Note
This was written and published on April 27, 2020. Please be advised that further guidance and changes are being released by the agencies for each of the programs highlighted in this document. Check with each agency for clarification and modifications for each of these programs.