



Louisiana Farm Bureau Federation, Inc.

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April 2, 2020

To: LFBF State Board, Executive Committee, Parish Presidents, LFBF Commodity Advisory Committees, Young Farmers and Ranchers Committee, Women's Committee, LFBF Field Staff, LFBF Staff, Advisors

From: Brian Breaux – Senior Commodity/Public Policy Director

RE: Agricultural Labor Update

CARES ACT – SBA - Payroll Protection Program

The CARES ACT – (*COVID-19 Stimulus Program*) includes a program to provide financial assistance for small employers called the Payroll Protection Program. The Payroll Protection Program provides \$349 billion in forgivable SBA loans to provide financial incentives for keeping their workers on the payroll.

Please read the following information from the SBA and the AFBF. However, please read the later information that under the current interpretation, H-2A, H-2B wages are not eligible for SBA Loan forgiveness under the Payroll Protection Program.

Below is Information Directly from the Small Business Administration (SBA) website

SBA - Payroll Protection Program Overview

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The Paycheck Protection Program will be available through June 30, 2020.

SBA - Who Can Apply

This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19.

Businesses in certain industries may have more than 500 employees if they meet the [SBA's size standards](#) for those industries. Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.

SBA - How to Apply

You 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.

Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating in the program. Lenders may begin processing loan applications as soon as April 3, 2020.

SBA - Loan Details and Forgiveness

The loan will be **fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll)**. Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. **Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.**

This loan has a maturity of 2 years and an interest rate of .5%.

Additional Information from AFBF – Rules on Payroll Protection Program

Loans are capped at \$10 million but can include up to eight weeks of the businesses average monthly payroll costs from the last year plus an additional 25 percent for non-payroll costs. Seasonal and new businesses will use different calculations. The PPP will be available through June 30, 2020.

AFBF - The loan will be forgiven if:

- All employees are kept or quickly rehired and compensation levels are maintained for eight weeks (payroll costs are capped at \$100,000 on an annualized basis for each employee)

AFBF - The funds are used for:

- Payroll and benefits – *Payroll costs include salaries, commissions and tips: employee benefits (including health insurance premiums and retirement benefits and state and local taxes)*
- Mortgage interest incurred before February 15, 2020
- Rent, under lease agreements in force before February 15, 2020
- Utilities, for which service began before February 15, 2020.

AFBF - Borrowers will still owe money and must repay the loans if:

- The loan amount is used for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan.
- Due to likely high subscription, it is anticipated that not more than 25 percent of the forgiven amount may be for non-payroll costs.
- You will also owe money if you do not maintain your staff and payroll.
- Farmers can apply for the PPP through any existing SBA 7(a) lenders or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.

AFBF - Applications can begin on:

- April 3, 2020 - For small businesses and sole proprietorships through existing SBA 7(a) lenders
- April 10, 2020 - For independent contractors and self-employed individuals through existing SBA 7(a) lenders
- All federally insured depository institutions, federally insured credit unions, and Farm Credit System institutions that are not existing SBA lenders can begin making loans once they are approved and enrolled in the SBA program. New lenders will need to submit their application to DelegatedAuthority@sba.gov to apply with the SBA.

Important: Current Paycheck Protection Program Interpretation - H-2A, H-2B Worker Wages Paid for with SBA Loan Are Not Eligible for SBA Loan Forgiveness

FROM AFBF: Under the current interpretation, payroll expenses cannot include salaries for foreign workers (H-2A, H-2B) or independent contractors (Farm Labor Contractors referred to as 1099 workers) and should not include 1099 payments when calculating their average monthly payroll for the purposes of getting a loan.

*Keep in mind that if we are not able to get a change in this interpretation/definition and H-2A and H-2B wages paid for with the SBA loan are not forgiven and must be repaid, the interest rate on this SBA loan program is .5% with a loan maturity of 2 years.

Please contact me if you have questions, additional labor situations or new information that we can share with our members at brianb@lfbf.org or at 225-603-0924. More information to follow.

Best Regards,

Brian