The OSU Extension FARM OFFICE IS OPEN

Today's focus topic: COVID-19 legislation

Come to us with your questions, concerns, and topics of interest. Each office hour will include a short update and lead into a question and answer time on additional topics of interest.

OSU Extension's Farm Office Team

Ben Brown
Peggy Hall
David Marrison
Dianne Shoemaker
Julie Strawser
Barry Ward



Peggy Hall

The CARES Act: Paycheck Protection Program, §1109

\$349 billion available--first-come, first-served.

- What for? To cover certain payroll costs, group health care benefits, salaries, commissions, mortgage interest, rent, utilities.
- Loan maximum: \$10 million or 250% of average monthly payroll costs in year prior to the loan.
- Loan terms: 1% interest, 2 year maturity. No interest or principal for at least first 6 months.
- Forgiveness: For eligible costs incurred during the 8-week period after loan origination date.



Guidance from SBA's Interim Final Rule You are eligible if:

1. You have 500 or fewer employees having U.S. as their principal place of residence or meet SBA employee-based size standards for your industry,

2. And:

- A. You are a **small business concern**, 501(C)(3) nonprofit, tax exempt veterans' organization, Tribal business concern, <u>or</u> **any other business**,
- B. You were in operation on Feb. 15, 2020, <u>and</u> you had had either (1) employees for whom you paid salaries and payroll taxes, <u>or</u> (2) paid independent contractors, as reported on Form 1099-MISC,
- 3. Or, you are an individual who operates under a **sole proprietorship** or as an independent contractor or **eligible self-employed individual** and were in operation on Feb. 15, 2020.



Eligibility

There is confusion over the 1099-MISC requirement!

- Suggests that businesses that don't have true employees <u>must</u> have paid Form 1099-MISC independent contractors
- Have them when? What time period? Any type of independent contractor?
- Be aware that the application requires this certification: "The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC."

Awaiting SBA guidance on this requirement



Calculating loan amount

- 1. Aggregate your payroll costs from last 12 months
- 2. Subtract any amounts above \$100,000 for employee compensation or to independent contractor or sole proprietor
- 3. Divide by 12 (= average monthly payroll costs)
- 4. Multiply by 2.5(Less EIDL outstanding amounts)

How to apply?

Must apply through SBA 7(a) approved lenders <u>or participating</u> federally insured depository or credit union, and Farm Credit System institution.

 Some lenders not participating or servicing only existing customers

April 3—small businesses/sole proprietors

April 10—self-employed/ and independent contractors

The CARES Act: Deferred Payroll Taxes, § 2302

Only if **not** using the Paycheck Protection Program or a loan forgiven by SBA:

- Employers may temporarily defer payment of the employer's portion of social security taxes.
- Self-employed individuals may defer ½ of the self-employment tax.
- Delay is through the end of 2020, then taxes must be repaid in two equal installments on Dec. 31, 2021 and Dec. 31, 2022.



The CARE Act: Economic Injury Disaster Loans

- Provides a loan advance of up to \$10,000 for businesses experiencing temporary loss of revenue.
- Advance will not have to be repaid.
- Is agriculture eligible?
 - Appears Congress intended to apply to ag... but there is lack of clarity between CARES Act relationship to Small Business Act, which doesn't apply to "agricultural enterprises."
 - And EIDL loan application requires certification that "applicant is not an agricultural enterprise (e.g., farm), other than an aquaculture enterprise, agricultural cooperative, or nursery."





Barry Ward

Department of Treasury & IRS Extend Tax Filing Deadline

- Tax Filing Deadline is now July 15: Treasury, IRS extend filing deadline and federal tax payments regardless of amount owed
- High-deductible health plans (HDHPs) can be used to pay for COVID-19 related testing and treatment, without jeopardizing their status. This also means that an individual with an HDHP that covers these costs may continue to contribute to a health savings account (HSA).
- Ohio H.B. 197: Ohio Tax Filing Deadline: July 15



Families First Coronavirus Response Act

- Emergency Paid Sick Leave Provision of the Act
- Private employers with fewer than 500 employees to provide paid sick leave where an employee is unable to work (or telework)
 - COVID-19 related illness
 - Two weeks (80 Hours) 100% sick-pay (capped at \$511/day)
 - Caring for an individual with COVID-19 related illness
 - Caring for children if school/childcare is closed due to COVID-19
 - Two weeks (80 Hours) 2/3 sick-pay (capped at \$200/day)



Families First Coronavirus Response Act

- Expanded Family Leave Provision
- Must provide employees with up to 12 weeks of leave for COVID-19-related needs (after the first 10 days)
 - Employee is eligible to receive paid leave, at 2/3 of the employee's regular pay (capped at \$200/day)
 - 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.



Families First Coronavirus Response Act

- Law provides a corresponding tax credit for paid sick leave credit and paid expanded family leave credit – 100% Credit
- Equivalent credits are available to employers/self-employed individuals based on similar circumstances. (These credits will be claimed on their income tax return and will reduce estimated tax payments.)
- The credits are refundable payroll tax credits, designed to immediately and fully reimburse employers, dollar-for-dollar, for the cost of providing the required leave to their employees. (Retain an amount of the payroll taxes equal to the amount of qualifying sick and child care leave that they paid, rather than deposit those taxes with the IRS.)
 - Withheld federal income taxes
 - The employee share of Social Security and Medicare taxes, and
 - The employer share of Social Security and Medicare taxes with respect to all employees
- Where a refund is owed, the IRS will send the refund as quickly as possible



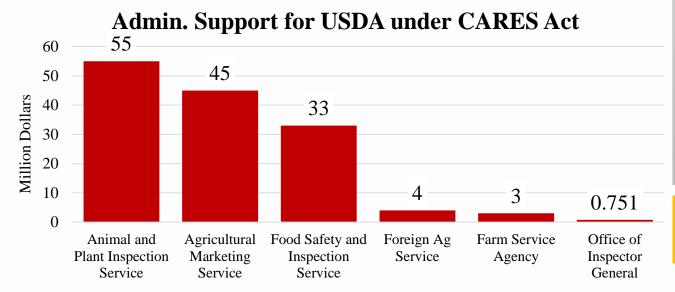
Ben Brown

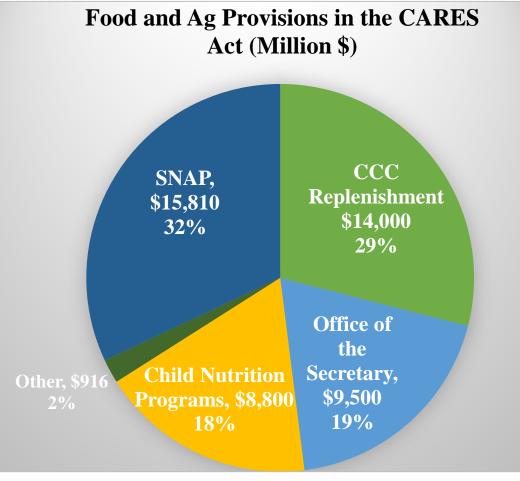
Government Support- CARES Supplemental Appropriations: USDA

Included in the \$2.2 Trillion Dollar CARES Act

\$48.7 Billion Dollars for Food and Agricultural Provisions

- 1. Support for Rural Business Services
 - \$20.5 Million for Rural Development Loans
 - \$25 Million for Distance Learning, Telemedicine, and Broadband
- 2. \$140.75 Million in Agency Support for USDA (see below)
- 3. \$48.1 Billion in producer/consumer assistance (see right)
 - \$23.5 Billion for Agricultural Producers
 - <u>May</u> extent Marketing Loans to 12 months from 9 months





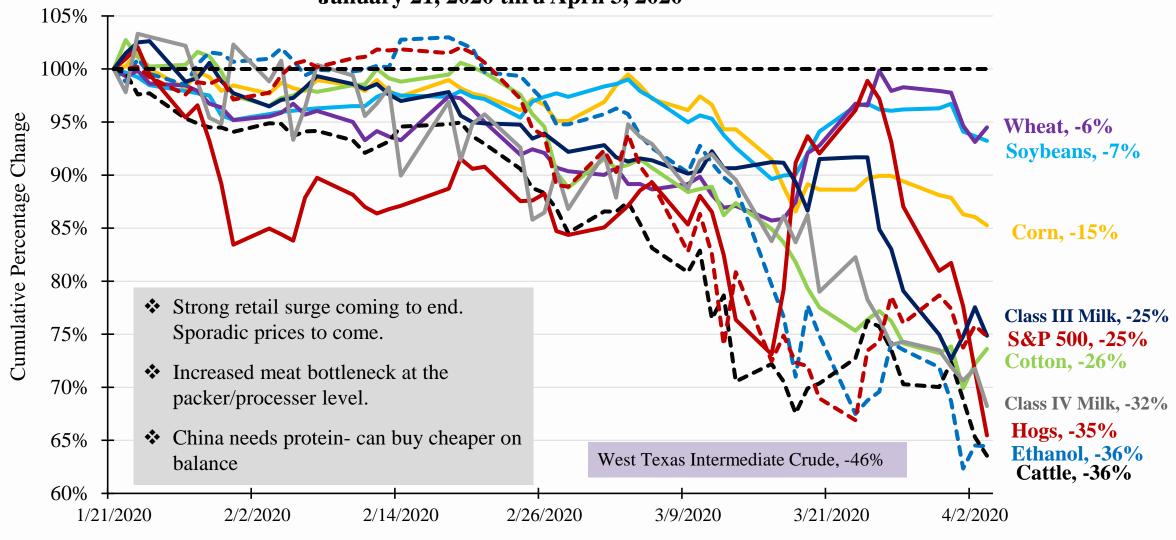
USDA has not indicated <u>how</u> or <u>when</u> these funds will come.

Source: US Congress

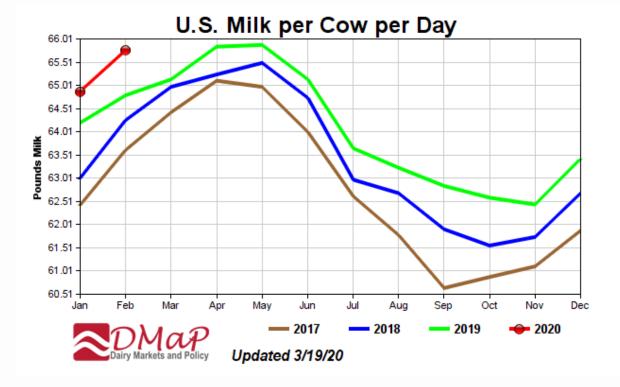


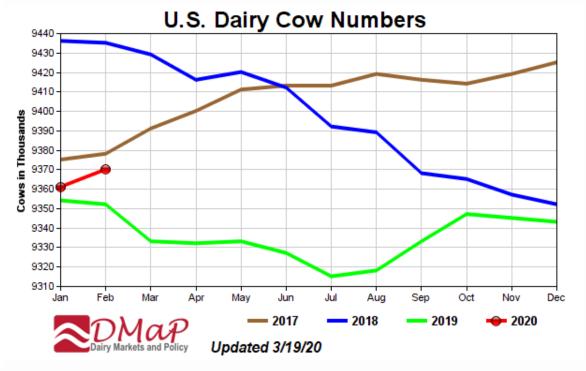
Impact of COVID-19- Major hits to Meat, Dairy and Energy

Change in Futures Prices Since First US COVID-19 Case on January 21, 2020 thru April 3, 2020



Dianne Shoemaker

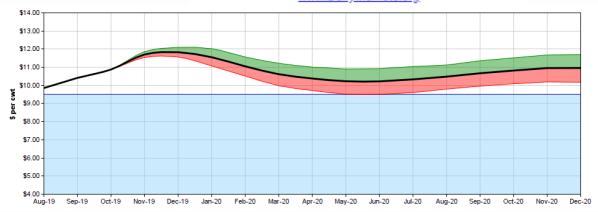




Pre-Covid19

- A recovery year from 5 years of low prices
 - July Dec Class III averaged \$18.67
- Good export sales
- Dairy farms responding to market signals

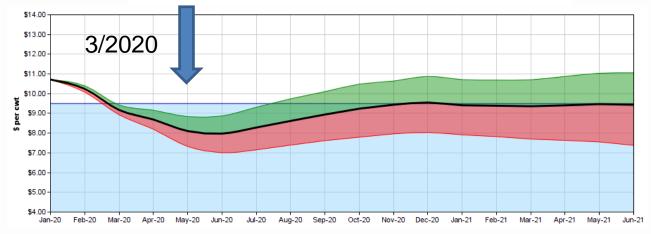
Dairy Margin Coverage Decision Tool

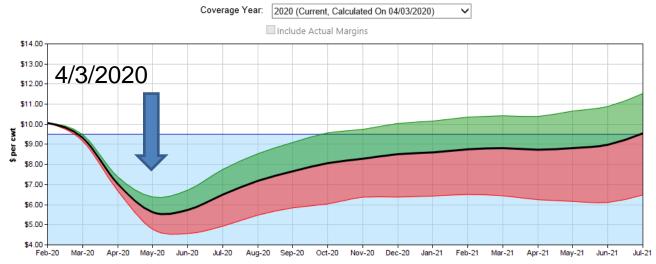


Graphs and Decision Tool: dairymarkets.org



Dairy Margin Coverage Decision Tool





The colored bands show the middle 50% probability interval for forecast margins. There is a 25% chance that the margin could be above the green band and a 25% chance that the margin could be below the red band. The graph data and probabilities are calculated from futures market data available on 04/03/2020.

Projected margins based on futures prices

Now:

- Market disruption
 - School milk done
 - Increased demand for gallons
 - Restaurants carry-out only
 - Work at home (lattes)
- Purchase limits
- Milk processing continues
 - Ability/time needed to switch lines as demand changes
- Farms asked to dump milk
 - Many questions
 - How to dump?
 - Will I be paid?
 - What should I track?
 - How long will this last?
- What is being done to help?



Questions

For More Information

- Farm Office Website
 - https://farmoffice.osu.edu/
- AG Madness
 - http://go.osu.edu/agmadness
- KX COVID-19 Hub (Knowledge Exchange)
 - http://kx.osu.edu/covid-19
- OSU AG Crisis Website
 - http://go.osu.edu/agcrisis
- Ohio Dairy Industry Resources Center
 - https://dairy.osu.edu/





Contact Information

- Barry Ward
 - 614.688.3959 or <u>ward.8@osu.edu</u>
- Peggy Hall
 - 937.645.3123 or hall.673@osu.edu
- Ben Brown
 - 614.688.8686 or <u>brown.6888@osu.edu</u>
- Dianne Shoemaker
 - 330.533.5538 or <u>shoemaker.3@osu.edu</u>
- David Marrison
 - 740.622.2265 or marrison.2@osu.edu
- Julie Strawser
 - 614.292.2433 or <u>strawser.35@osu.edu</u>





