

Virtual Roundtable Q&A on SBA's Paycheck Protection Program
Monday, April 13th - 11 am to 12 pm CDT

The panel of experts participating in the roundtable discussion are as follows:

- (1) Dr. Brian C. Briggeman, Professor and Director of the Arthur Capper Cooperative Center in the Department of Agricultural Economics at Kansas State University (KSU)
- (2) Brandi Miller, President & CEO, Kansas Cooperative Council
- (3) Kevin Herbel, KFMA and KMAR-105 Executive Director, KSU
- (4) Mark Dikeman, KFMA Associate Director, KSU
- (5) Eric Steinle, Attorney, Martindell Swearer Shaffer Ridenour Law Firm
- (6) Marc Kliewer, Attorney, Kennedy Berkley Yarnevich & Williamson Law Firm
- (7) Brent Knoche, CPA, Lindburg Vogel Pierce Faris
- (8) Marty Shaffer, CPA, Campbell Shaffer & Company

A number of questions were sent in before the virtual roundtable by cooperative leaders, farmers, and lenders. These questions were used below as a way to "kickoff" the roundtable discussion. We will have a number of people on the virtual roundtable so everyone will be muted. As the virtual roundtable proceeds, please feel free to type your question in the chat and we will do our best to address all questions.

(1) What is the SBA PPP and how do you apply for it? Basics of the program are provided below.

- The Paycheck Protection Program (PPP) was established in the Coronavirus Aid, Relief, and Economic Security Act or CARES Act and is implemented by the Small Business Administration (SBA) with support from the U.S. Department of Treasury. There is a total of \$349 billion authorized for the purpose of helping small businesses retain jobs and cover certain other expenses.
- The program provides small businesses (500 or fewer employees) with funds to pay for up to 8 weeks of payroll costs including benefits as well as pay for interest on mortgages, rent, and utilities.
 - o Payroll costs for salary and wages are capped at \$100,000 on an annualized basis for each employee. NOTE: Payroll costs must be carefully calculated for PPP. More detail on payroll costs will be discussed in part (2) below.
 - o Interest on mortgage obligations incurred before February 15, 2020.
 - o Rent, under lease agreements in force before February 15, 2020.
 - o Utilities, for which service began before February 15, 2020.
- Cooperatives and farmers are eligible for PPP loans.
- PPP loans can be "fully forgiven" when the loan is used for payroll costs, interest on mortgages, rent, and utilities. At least 75% of the "forgiven" amount must be used for payroll. "Full forgiveness" requires the employer to maintain or quickly rehire employees and maintain wage/salary levels. Applying for loan forgiveness is done through the SBA approved lender servicing the PPP loan and proper documentation on all uses of the funds is necessary.
- If the loan must be repaid, the interest rate is a fixed 1% rate; must be repaid in 2 years; payments are deferred for 6 months; no collateral is required; and there are no prepayment penalties.
- Applying for the PPP loan is completed through an SBA approved lender.

The U.S. Treasury has a lot of written information on SBA PPP as well as the application form:
<https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

(2) How do you calculate the amount of your PPP loan? What expenses qualify?

First is Payroll:

What constitutes payroll costs?

Cooperative and C-Corporation Farmers Payroll Costs – How is this determined?

What about LLCs or Partnerships?

What about Self-employed Farmers? Payroll Costs – How is this determined?

What dates should be used? (when payroll is actually paid? When the PPP loan is actually received? When does the 8 weeks actually start?)

Next is Other Non-payroll Costs (lease/mortgage interest, utilities, and other):

What constitutes these costs?

What documentation is needed? For example, are formal utility service agreements needed?

When should these costs be calculated? Eight weeks after the PPP loan is received? Or more of an accrual basis for services rendered during those 8 weeks with later payment?

For farmers, can cash rent be counted as a lease? What about crop share leases?

For farmers who have multiple entities, what entity should file for the PPP loan?

(3) Let's assume you've applied for a PPP loan and you've received the loan, now what?

What are best practices for documenting how the loan is spent?

Are you able to use the PPP loan to pay off another loan? For example, many cooperatives and farmers will use seasonal or operating lines of credit to pay for PPP "qualified" costs. Can a PPP loan be used to pay down the seasonal or operating lines of credit?

(4) Exactly how will PPP loan "forgiveness" work? Does the PPP borrower have to provide anything for the PPP loan to be forgiven? Is there a timeframe for applying for loan forgiveness? When might it happen?

(5) If the PPP loan is not forgiven, what are the terms of repayment?

(6) Finally, could there be any unintended consequences from receiving a PPP loan? For example, could receiving PPP funds cause the borrower, say a farmer, from being eligible for other "disaster" payments as a result of the COVID-19 Pandemic? Specifically, CCC payments.