

# Farm PPP Loan Flowchart

1. Have you received formal forgiveness on your first draw PPP loan? If yes, you are unable to get any additional first draw PPP loan and you will jump to step #7. If no, go to step #2.
2. Have you requested loan forgiveness? If yes, you will need to discuss whether your bank will allow you to get an updated loan or not. This assumes the forgiveness is still with the bank. If it is with SBA you may not be able to get an additional first draw PPP loan.
3. Did your 2019 Form 1040 Schedule F show less than \$100,000 of net income on line 34? If so, you may qualify to increase your PPP loan amount based on the amount of gross income shown on line 9 or either 2019 or 2020 (if that return has been prepared). If line 9 is greater than \$100,000 and you had no employees, you can increase your loan to \$20,833. If you had employees, you need to do the calculation as discussed in our Sunday January 10, 2021 post to determine the increase.
4. Did you pay more payroll costs to qualified employees in 2020 than 2019? If so, you may be able to increase the first draw PPP loan by the difference times 20.833% (this assumes you have not gotten loan forgiveness).
5. If you qualify for a loan increase, you now have a new 8-24 week covered period. For the amount related to line 9 gross income for your SE earnings you are only required to write a check to yourself for that amount of the loan. Line 34 of Schedule F for sole-proprietors is no longer applicable. You will use line 9 instead of line 34 for forgiveness. Partners appear to continue to use line 34 but may be able to increase the loan if 2020 line 34 is higher than 2019. The increased portion for employees must be fully spent before you can ask for a second draw loan.
6. Finally, can you ethically sign the application form stating that you needed the funds under the first or second draw? With the large amount of CFAP and rapid increase in commodity prices, many producers may have an issue with signing this form. Even if your loan is under \$150,000, you still must assert you needed the funds.

7. Did you have any one quarter in 2020 where gross receipts (not line 9 gross income) were more than 25% lower than the same quarter in 2019? All gross receipts count other than PPP loan forgiveness, non-taxable emergency and targeted EIDL grants, subsidies under Section 1112(c) of the CARES Act, and grants for shuttered venue operators. Also, capital gains or losses are ignored. We believe that all Section 1231 and 1250 gains are not considered capital gains. This only refers to gains that directly flow to Schedule D, not first to Form 4797. If you have a 1231 loss, you will still count the sale proceeds. If so, you can apply for a second draw PPP loan. The calculations will essentially be the same as for the first draw. Based on some of the calculations I have seen for some of our clients it may be very difficult for most non-Schedule F farmers to qualify. One area that we many need guidance on is the electing out of installment sale treatment for deferred payment contracts. Not sure on how to count that yet.
8. They have expanded the types of expenses that will qualify for loan forgiveness. We will not list them here since most farmers should be able to spend the funds within the 8-24 week covered period.