

Small Business Administration Releases Interim Final Rule for Sole Proprietors on the Paycheck Protection Program

ISSUE:

The Small Business Administration (SBA) released an interim final rule (IFR) that provides guidance for sole-proprietors wanting to access benefits through the Paycheck Protection Program (PPP). The guidance document has yet to be published in the Federal Register but the SBA released the guidance on its website, which can be viewed [here](#).

An IFR becomes effective immediately but can be changed based on public comments. Farm Bureau plans to file comments on the IFR. The IFR will begin its 30-day comment period once it's published in the Federal Register.

The IFR provides information on these topics:

- Eligibility: Clarifies that self-employed individuals who were in business on February 15, 2020 are eligible provided the individuals principal place of residence is in the United States and files a Schedule C Profit or Loss from Business.
 - Most farmers file a Schedule F, "Profit or Loss from Farming." While it may be reasonable to assume that the Schedule F will be treated the same as the Schedule C. AFBF is requesting clarification.

Guidance for partnerships is also included. Receipt of a PPP loan will impact the ability of an individual to claim unemployment.

- Calculation for Loan: Explains how to calculate maximum loan amounts. The maximum amount that may be borrowed will be based on net profit, line 34 on the Schedule F or line 31 on Schedule C. However, if the sole-proprietor has employees, employee payroll costs can be added to the net profit number.
- Using Loan: Explains how PPP loans are to be used:
 - Owner compensation replacement, payroll costs, mortgage interest payments and other interest payments to support the ongoing businesses operation in a way similar to way expenditures were made in 2019.
- Payroll Limitations: Continues the requirement that 75 percent of PPP loans must be used to cover payroll costs.
 - AFBF is requesting that owner compensation count towards the 75 percent payroll calculation.
- Loan Forgiveness: Explains the amount of the loan that will be forgiven is for eight weeks of employee wages/some benefits, eight weeks of owner compensation

replacement based on 2019 net profit, mortgage interest and interest on other business property, rent and utilities.

- This will be problematic for farmers and ranchers who did not report a profit last year. AFBF is considering additional methods to expand eligibility for these farmers and ranchers, including an option to use equipment profits recorded on IRS Form 4797.

IMPACT:

Farmers and ranchers should consult with their accountant, tax preparer and/or financial advisor about the application of the IFR to their particular situation.

AFBF has heard from multiple agency and lender sources that the PPP funding will be exhausted as early as Thursday, April 16. SBA is advising businesses to continue applying for PPP loans, even if the funding runs out. SBA is creating a virtual queue to hold a business' place in line once Congress replenishes PPP funding.