

# RIGHT RISK™

## RIGHT RISK NEWS

### How Might the CARES Act Impact You?

#### DATES TO REMEMBER

NAP Coverage  
(Spring-planted crops)  
- county specific deadlines

Spring crop acreage  
reporting deadline  
- July 15

For more information see:  
<http://www.rma.usda.gov>  
<http://www.fsa.usda.gov>

The Coronavirus Aid Relief and Economic Security (CARES) Act was signed into law by President Trump on March 27<sup>th</sup>. The Act contains a number of provisions intended to provide relief to Americans during the coronavirus (COVID-19) health and economic crisis. Additionally, many federal and state departments and agencies have instituted or are in the process of instituting new rules and procedures, though temporary in some cases, for staff and constituents.



It should come as no surprise that the rules for daily life and regarding our businesses are constantly changing. Many of us are working from home under “shelter in place” orders, learning to balance professional work and family life, worrying about how to pay our bills, feeling isolated, learning to use a vast array of on-line tools, trying to not become too “Zoomed out”, etc. Those of us owning and operating small businesses are also struggling with payrolls with the goal of not laying off employees, paying other bills in light of reduced – or no – cash inflows, meeting in new ways with our accountants, bankers, and lawyers, as well, as meeting the needs of our clients/ customers and planning for what will happen when this event is over.

Farmers and ranchers are also impacted by recent events, while in the midst of their spring work. They have likely already filed their 2019 income tax returns, arranged for operating loans, and have inputs (like seed, fertilizer, fuel, and baling twine) in inventory. Hopefully, they have not experienced a “run on feed” at the feed store or are not left needing to buy something at a store with limited hours and/or limited supplies.

Some experts are already suggesting that COVID-19 will significantly influence commodity market prices. They propose that demand for agricultural commodities will be reduced due to lower overall consumer income and increased economic uncertainty.

The CARES Act includes some relief and opportunities for farmers, ranchers, and other small business owners. The Act and other legislation provide monies for small business loans via the Paycheck Protection Program. This program is an expansion of 7(a) loans, making farmers eligible for these Small Business Administration loans. The 7(a) loans will be forgiven if the monies are used to pay qualified expenses. Producers should immediately contact their lender. If their regular lenders will not be handling these loans, they may need to find a different lender.

The CARES Act provides more than \$140 million to USDA agencies – Animal and Plant Health Inspection Service (APHIS), Agricultural Marketing Service (AMS), Food Safety and Inspection Service (FSIS), Farm Service Agency (FSA), and others – to cover additional salaries and operating expenses due to the coronavirus pandemic. Also, the Act provides funds to USDA for providing direct assistance to producers, especially specialty crop and dairy producers.

The CARES Act provides about \$248 billion in additional emergency funds for food assistance through Child

How Much Risk is Right for You?



Nutrition Programs, the Commodity Assistance Program, and the Supplemental Nutrition Assistance Program (SNAP). With the anticipated number of Americans staying at home and applying for unemployment benefits, the demand for direct assistance to individuals and families for the purchase of food is expected to increase significantly.

The Act allows employers to delay payment of the employer's portion of social security and Railroad Retirement Tax Act (RRTA) payroll taxes. Self-employed individuals can also defer one-half of the self-employment tax. The delayed taxes (does not include the Medicare portion) must then be repaid in two equal installments, one due by December 31, 2021 and the other due by December 31, 2022. This deferral is not available if the taxpayer is receiving forgiveness under the Paycheck Protection Program (PPP). However, the employee's (including self-employed individuals) portion of payroll taxes and withheld income taxes must still be deposited as required under normal circumstances. Other relief provisions are described by Krisine Tidgren (Director of the Center for Agricultural Law and Taxation at Iowa State University) in an article entitled "What's in the CARES Act? Part Two – Business Tax Provisions," available at <https://www.calt.iastate.edu/blogpost>. Director Tidgren has also authored a similar article pertaining to individuals available at the same web site.

The CARES Act contains a provision that provides all qualified individuals a "recovery rebate" (Economic Impact Payment) of \$1,200 or \$2,400 for couples filing a joint return. In addition, eligible individuals will receive \$500 per qualified child. The actual dollar amounts will be based on a person's 2019 income tax return or the 2018 tax return, if the 2019 tax return is yet to be filed. The actual rebate received will be phased out as an individual's adjusted gross income exceeds \$75,000 (\$150,000 for a couple filing a joint return). Eligible individuals means any individual, except nonresident alien individuals, dependents, and estates or trusts. The U.S. Treasury plans to develop a web-based portal allowing people to provide their banking information to the Internal Revenue Service (IRS) in order to receive payments electronically, as opposed to checks being sent through the mail.

Many people and businesses now do not have to file their 2019 tax returns – and pay the associated taxes – until July 15, 2020 under the Act. This provision applies only to individuals and entities with an April 15th filing deadline. Also, contributions to individual retirement accounts can be made at any time during the year or by the due date for filing the tax return for that year. Thus, filers have until July 15th to make contributions to retirement accounts and receive the corresponding benefits.

There are more questions than answers regarding the implementation of the CARES Act and other recently passed and future legislation. It will take time for the IRS, Small Business Administration, and other agencies time to develop applicable procedures, and for business owners to develop and implement operational strategies.

Members of the National Farm Income Tax Task Force (<https://www.ruraltax.org>) continue to meet and consult with IRS staff (<https://www.irs.gov/coronavirus>), lenders, certified public accountants, federal and state elected officials, federal agency personnel, commodity organizations, and others to gain a better understanding of the Act and how it may affect America's farmers and ranchers.

Please be aware that new information and interpretations are coming out daily. Please consult a tax or legal professional before acting on any information contained in this newsletter.



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