

July 10, 2020

The Honorable Marco Rubio
Chairman
Committee on Small Business &
Entrepreneurship
U.S. Senate
428A Russell Senate Office Building
Washington, D.C. 20510

The Honorable Ben Cardin
Ranking Member
Committee on Small Business &
Entrepreneurship
U.S. Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Rubio and Ranking Member Cardin:

The American Farm Bureau Federation is grateful for your leadership to bolster the agricultural sector through the Paycheck Protection Program. However, the lateness of SBA's clarification of farm and ranch eligibility coupled with issues that severely limited loan amounts, meant that only 1.5 percent of loans were distributed to the agriculture, forestry, fishing and hunting subsector according to SBA data. While the PPP is providing vital assistance to farmers and ranchers who were able to receive loans, more funding is needed to support those shut out of the program and significant changes are necessary for agricultural producers to fully participate in the PPP.

Farm Bureau recommends additional PPP funding and the following changes for the Paycheck Protection Program.

- Farm Bureau recommends allowing farms and ranches operating as sole-proprietorships to apply for PPP loans based on gross receipts as proposed in S. 3918, the Paycheck Protection for Producers Act. Based on 2017 IRS data, the most recent available, more than a third of self-employed farmers would have not received a loan from the PPP because they've reported net losses in the prior year. With 86 percent of farms and ranches organized as sole-proprietorships, the impact of this change would be significant.
- Farm Bureau asks for certainty that all H-2A workers in the United States qualify as employees under the Paycheck Protection Program and that wages paid to these employees be eligible for loan forgiveness. Current IRS guidance regarding H-2A employees is unclear. Wages paid to H-2A workers are a considerable expense for non-mechanized commodities and excluding them is counter to helping businesses with high payroll expenses.
- Farm Bureau has concerns with any qualification that would require eligible businesses to demonstrate at least a 50 percent reduction in gross revenue in a 2020 quarter relative to the same 2019 quarter. While there has been a considerable amount of uncertainty in commodity prices as a result of COVID-19, meeting the 50% reduction in gross revenue

would likely exclude the vast majority of farms and ranches. The ever-changing nature of agricultural markets makes it unlikely that a 50% reduction in gross revenue would persist over an entire quarter. However, this does not mean that farmers and ranchers have not experienced and are not continuing to experience significant losses and disruption in revenues. Agricultural producers were largely excluded from the first round of funding and this provision would perpetuate their inability to benefit from the program.

- Farm Bureau supports S. 4117, the Paycheck Protection Program Small Business Forgiveness Act, which would forgive PPP loans of less than \$150,000 upon the borrower's completion of a simple, one-page forgiveness document. Simplifying the loan forgiveness process would alleviate hours of paperwork for borrowers.
- Farm Bureau believes that rental payments for all business-related items should be included in the calculation for determining loan forgiveness. This should include rent on a variety of business-related items including equipment, land, and buildings. In addition, the utility cost of guest worker housing should be counted as an eligible utility expense.
- Farm Bureau supports allowing expenditures incurred by a grower to provide worker protection be eligible for forgiveness as PPP expenses. We recommend that in addition to PPE necessary for agricultural workers to perform their job responsibilities, that PPP funds used to offset costs associated with farmworker housing and transportation costs also be eligible. Many growers provide housing for agricultural employees that will need to be modified to comply with federal health and safety guidelines. In some instances, growers may need to secure additional housing entirely. Growers have also taken steps to mitigate COVID spread by limiting vehicle occupancy as workers travel to and from worksites each day, requiring growers to rent additional vehicles. These modifications have resulted in unplanned housing and transportation costs.
- Farm Bureau asks Congress to clarify that expenses incurred while operating a business under a PPP loan are deductible as normal and customary business expenses for income tax purposes. To do otherwise would have the effect of taxing the loan amount and interest loan assistance as income, the exact opposite of congressional intent.
- Farm Bureau recommends that income from farm equipment trades, breeding livestock, and all rental income be included in the calculation of income for loan availability. The calculation should also include wages received in-kind such as commodity wages and other documented sources of income.
- Farm Bureau recommends that farmers be allowed to file IRS Form 943, which is the form agricultural employers report payroll deposits, for loan forgiveness. The current loan forgiveness form requires participants file IRS Form 941, which is a form that farmers do not utilize.
- Farm Bureau requests that Congress include Farm Credit institutions among those allowed to access the set-aside for small financial lenders.

While the CARES act as written makes 501(c)(3) charitable organizations eligible for PPP benefits, it fails to make non-profit 501(c)(5) agricultural organizations like Farm Bureau

eligible. We ask that 501(c) agricultural organizations be eligible for the PPP program. Farm Bureau organizations at the national, state and county levels provide valuable services to farm and ranch businesses and disseminate important information needed by them to manage their business, access financial aid and deal with the emotional stress surrounding the current crisis. In addition, county and state Farm Bureaus are themselves small businesses struggling to pay employees and cover expenses.

Thank you for your consideration of these requests. We applaud your leadership and commitment and stand ready to work with you as our nation meets this unique challenge.

Sincerely,

A handwritten signature in cursive script that reads "Zippy Duvall". The signature is written in black ink and is positioned above the typed name and title.

Zippy Duvall
President

CC: Sen. Pat Roberts
Sen. Debbie Stabenow
Sen. Susan Collins
Sen. Jeanne Shaheen