Congress Passes Funding and Relief Legislation Addressing Coronavirus (COVID-19)

As the Coronavirus began to spread across the country, Congress first passed the $8.3 Billion Coronavirus Emergency Funding Deal which included funding to support state and local health agencies’ response to the COVID-19 outbreak. The package also included funding for medical supplies, funding for low interest loans to support affected small businesses, and support for the research and development of a vaccine. This legislation was signed by the President on March 6, 2020.

As the Coronavirus continued to spread and cases continued to increase, Congress passed a second coronavirus legislative package, known as the Families First Coronavirus Response Act, which was signed by the President on March 18, 2020 and provides sick and paid leave for those impacted by COVID-19.

A third legislative package called the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed in the Senate on Wednesday, March 25, 2020 and awaits passage in the House. The bill includes a wide variety of assistance for local governments, hospitals, businesses, and direct checks to individuals, based on income. The bill also includes provisions which will reduce or delay taxes paid by many farm businesses.

The following is a summary of the provisions in the legislation. Additional items and clarifications will be provided as information becomes available.

For the agriculture-related provisions, the Office of the Secretary of the Department of Agriculture received $9.5 billion, approximately 19%, of the total food and agriculture provisions, to provide financial support to farmers and ranchers impacted by coronavirus. The funding is allocated specifically for specialty crops, producers who supply local food systems and farmers’ markets, restaurants and schools, livestock producers, i.e., cattlemen and women, and dairy farmers.

The Commodity Credit Corporation was replenished with $14 billion – 29% of the total funding amount for agriculture. The CCC is the funding mechanism for agricultural programs such as Price Loss Coverage and Dairy Margin Coverage. The CCC bolsters commodity and income support programs, natural resources conservation programs, disaster assistance programs and most recently the Market Facilitation Program. The $14 billion replenishment is for fiscal year 2020, so that’s in addition to the second and third tranches of MFP payments, as well as farm bill payments made last fall. This replenishment will allow USDA to develop new support programs to assist agricultural producers and potentially help agribusinesses.

Other agricultural elements of the bill include:
- $15.5 billion for the Supplemental Nutrition Assistance Program (SNAP), as an increase in demand is projected;
- $8.8 billion for child nutrition programs;
- $450 million for The Emergency Food Assistance Program, or TEFAP (funds food distribution to food banks);
- $100 million for additional rural broadband grants through USDA’s ReConnect program;
• $33 million to the Food Safety and Inspection Service to cover the cost of temporary and intermittent workers, relocation of inspectors, and overtime costs;
• $25 million to the Rural Utilities Service to support telemedicine and distance learning services in rural areas; and
• $4 million to cover the cost of repatriating Foreign Agricultural Service staff.
An analysis of these numbers can be found here, courtesy of American Farm Bureau.

**Recovery Rebates (Cash Payments for Individuals)**

**Recovery Rebates for Individuals (Sec. 2201)**
- The government will provide recovery rebates (cash payments) of $1200 per individual/$2400 per couple. The amounts increase by $500 per child under the age of 17. The payments start to phase out when income exceeds $75,000 per individual/$150,000 per couple. The payment is completely phased out when a single taxpayers’ income exceeds $99,000 or $198,000 for couples. Individuals who file/filed an income tax return in 2018 or 2019 will receive payments automatically. An alternate method of payment will be set up for people who did not file tax returns.

**Tax Provisions Important to Farm Businesses**

**Modifications for Net Operating losses (NOL) (Sec. 2303)**
- Businesses will be able to use net operating losses from 2018, 2019, and 2020 to reduce taxes that were paid for the previous five years. The taxable income limitation is lifted to allow the NOL to fully offset income. Currently, net operating losses can only be applied to future tax years except for farming losses that have a two-year carry-back. Businesses with NOLs will be able to refile their taxes for the previous five years and receive tax refunds from recalculated taxes. This infusion of cash will help farm and ranch businesses pay employees and cover operating expenses.

**Business Interest Deduction Increased for Larger Ag Businesses (Sec. 2306)**
- The amount of business interest that large ag businesses can deduct is increased from 30% of taxable income to 50% of taxable income for 2019 and 2020. Currently, farm and ranch businesses with gross receipts of $25 million or less are able to fully deduct their business expenses. Increasing the deduction for larger businesses will make it easier for large businesses to purchase needed inputs.

**Tax Provisions Important to Agricultural Employers**

**Delayed Payment of Employer Payroll Taxes (Sec. 2302)**
- Employers will be able to defer the employer share (6.2%) of Social Security payroll taxes that would have been due throughout 2020. Self-employed individuals will also be able to defer 6.2% of Social Security taxes owed. Half the deferred amount will be due on December 31, 2021, with the other half due on December 31, 2022. The delay in tax payments will allow employers to retain more of their earnings to cover expenses and meet payroll.

**Tax Credits for Employee Retention (Sec. 2301)**
- Starting March 13 and through 2020, employers are granted credits against payroll taxes for 50% of up to $10,000 of wages (including health benefits) per employee. To be eligible, a business had to have partially or fully shut down OR experienced a 50% reduction in gross receipts. Calculations are determined quarterly. For employers with more than 100 full-time employees, qualified wages are wages paid to employees when there is a business shut-down. For employers with 100 or fewer employees, employee wages qualify for the credit whether the business is operating or not. If the credit exceeds the amount of payroll taxes owed, a government payment will be issued to the
employer. This provision will help employers retain employees and cover payroll when income is reduced or nonexistent.

**Employer Payments for Student Loans (Sec. 2206)**
- During 2020, employers may provide up to $5,250 annually to an employee for student loan repayment. The employee will not have to pay taxes on the amount.

**Other Tax Provisions for Individuals**

**Penalties Waived for Retirement Fund Withdrawals (Sec. 2202)**
- Individuals will be able to withdraw up to $100,000 from retirement accounts without penalty. Taxes on the withdrawal would be payable over three years, or individuals have the option to recontribute the sum within three years.

**No Mandatory Withdrawals from Retirement Plans (Sec. 2203)**
- Individuals will not be required to make mandatory withdrawals from retirement accounts in 2020 so that they are not forced to liquidate investments at low values.

**Deductions for Charitable Contributions (Sec. 2204)**
- Individuals will receive a tax benefit for charitable contributions of up to $300 regardless of whether or not they itemize their deductions. The limitation on individual charitable donations by those who itemize does not apply for 2020. The deduction for contributions of food inventory is increased from 15% to 25%.

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