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Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) Executive Summary for Kansas Livestock Producers

Agriculture Provisions

USDA

- \$9.5 billion will be used in the form of direct payments to farmers’ markets, livestock, specialty crop, and dairy producers impacted by COVID-19. This Market Facilitation Program will be under the discretion of USDA’s Office of the Secretary. KLA and NCBA have been working with government officials to ensure economic assistance for cattle producers is prioritized and that such assistance will be delivered equitably across all producer segments of the cattle supply chain where there is demonstrated loss and subsequent need. Additionally, it has been asked that this program be administered in a way that is market-oriented, without disrupting or masking market signals, or becoming a subsidy program that over-stimulates production.
- \$14 billion will be replenished to the Commodity Credit Corporation (CCC) as a reimbursement for net realized losses in other agricultural commodities not previously reimbursed. CCC funds were used to compensate commodities directly effected by trade disputes in 2018 and 2019.
- For the purpose of preventing, preparing for and responding to COVID-19, the Animal and Plant Health Inspection Services (APHIS) will receive \$55 million. This includes those necessary expenses for salary costs associated with the Agriculture Quarantine and Inspection Program.
- The Agricultural Marketing Service (AMS) will receive an additional \$45 million for COVID-19 efforts, including necessary expenses for salary costs associated with commodity grading, inspection and audit activities.
- To support temporary and intermittent workers and the relocation of inspectors in response to COVID-19, the Food Safety and Inspection Service (FSIS) will receive an additional \$33 million.
- Rural Development Programs:
 - The Business and Industry Loan Guarantee Program will receive \$20.5 million through September 30, 2021 to support loans to rural business owners.
 - The Distance Learning, Telemedicine, and Broadband Program will receive \$25 million in additional funding to facilitate distance learning and telemedicine in rural areas.

FDA

- The Food and Drug Administration will receive an additional \$80 million in funding to develop necessary medical countermeasures and vaccines, advance manufacturing for medical products, and monitor medical product supply chains in response to COVID-19.

Transportation Provisions

Federal Highway Administration

- Language in the CARES Act will clarify that states can issue special permits for overweight vehicles and loads to allow for the free flow of critical relief supplies during the current COVID-19 epidemic for the duration of the fiscal year. Under Governor Kelly's Executive Order 20-09, Kansas livestock producers may obtain a permit through the Kansas Department of Transportation to allow a 10% increase over the licensed weight restriction, so long as that weight does not exceed 90,000 lbs.

Payroll Provisions

Payment Protection Program

- The Small Business Administration (SBA) will receive \$349 Billion to be administered through the Paycheck Protection Program (PPP) to provide funds to businesses with less than 500 employees for use in paying up to eight weeks of payroll costs, including benefits. Loans of up to \$10 million will be made available to cover 2.5 times the average monthly cost of payroll, which is measured by payroll costs of the 12 months preceding the loan origination date, plus an additional 25% for non-payroll costs. This includes salaries; employee benefits, including health care and retirement; mortgage interest payments, but not prepayments or principal payments; rent; utilities; and interest payments on any other debt obligations that were incurred before February 15, 2020. At least 75% of the loan must be used for payroll costs.
- PPP is retroactive to February 15, 2020, and loans will be available through June 30, 2020. The funds used during this eight-week period can be 100% forgiven, as long as this funding is used on approved expenses and employees are not terminated and wages are not reduced. While the program is open until the end of June, loans will be available on a first come, first served basis. Therefore, those wanting to apply should contact their lenders as soon as possible. The PPP borrower application can be found at www.kla.org/Media/KLA/Docs/ppp-borrower-application-form.pdf.

Business Tax Provisions

Treatment of Losses

- Certain changes to the loss provisions made by the Tax Cuts and Jobs Act (TCJA) are suspended in an effort to allow companies to utilize greater losses as well as to claim refunds for certain losses. Specifically, the CARES Act:
 - Suspends the TCJA's 80% of taxable income limit on net operating loss (NOL) carryovers for three years, so that the limit would not apply to tax years beginning in 2018, 2019, and 2020;
 - Allows NOLs arising in 2018, 2019, and 2020 to be carried back five years; and
 - Suspends the limitations on excess farm losses and on the use of a pass-through business' losses against non-business income for three years, so that the limits would not apply to tax years beginning in 2018, 2019, and 2020.

Limitation on Business Interest Expense

- The CARES Act would temporarily increase the limitation on interest deductions imposed by the TCJA. Specifically, the Act would increase the 30% of adjusted taxable income (ATI) threshold to 50% of ATI, for tax years beginning in 2019 and 2020. (Special tax year 2019 rules would apply to partnerships.) It would also allow a taxpayer to elect to use tax year 2019 ATI in lieu of tax year 2020 ATI for the purpose of calculating its tax year 2020 limitation.

TCJA Technical Corrections

- The CARES Act would adopt a few TCJA technical corrections, on a permanent basis:
 - [Qualified improvement property](#);
 - Effective date of [NOL provisions](#); and
 - Technical corrections related to section 461(l).