



## **How Might the CARES Act Impact You?**

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By Jeffrey E. Tranel

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 COVID-19 health and economic crisis. Additionally, many federal and state departments and agencies have instituted (are instituting, will institute) new rules and procedures, though temporary in some cases, for their staffs and constituents.

What makes life even more interesting (difficult?) is that the rules of life in general and regarding our businesses are constantly changing! Many of us are working from home under “shelter in place” orders, learning to professionally balance work and family, worrying about how to pay our bills, feeling isolated, learning 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 so as to not lay off employees, paying other bills in light of reduced – or no – cash inflows, meeting in new ways with our accountants, bankers, and lawyers, meeting the needs of our clients/customers, and planning for what will happen when this event is over.

While farmers and ranchers are in the midst of their spring work, they too are being impacted by recent events. They 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 did not experience a “run” on feed at the feed store or needing to buy something at a store with limited hours and/or limited supplies. Further, some experts believe COVID-19 has significantly impacted market prices. Those experts are telling us that demand for our agricultural commodities will be impacted by lower overall income and increased economic uncertainty.

The CARES Act does provide some relief and opportunities for farmers, ranchers, and other small business owners. The Act – and other legislation – provides monies for small business loans via the Paycheck Protection Program. This program is an expansion of “7(a)”, not “7(b)”, loans, so farmers are eligible for these Small Business Administration loans. These loans will be forgiven if the monies are used to pay qualified expenses. Producers should immediately talk with their lenders. If their regular lender will not be handling these loans, a farmer/rancher may need to find a different lender.

The Act allows employers to delay payment of the employer’s portion of social security and RRTA payroll taxes. Self-employed individuals can also defer one-half of the self-employment tax. Other relief provisions are described in Krisine Tidgren’s (Director of the Center for Agricultural Law and Taxation at Iowa State University) article “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 which is also 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 couple 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 a person’s adjusted gross income exceeds \$75,000 (\$150,000 for a couple filing a joint return). Eligible individuals means any individual except for nonresident alien individuals, dependents, and an estate or trust. For those people typically not required to file a tax return, they will need to file a tax return for 2019 in order to receive economic impact payments. Also, the U.S. Treasury plans to develop a web-based portal for individuals to provide their banking information to the I.R.S. so that individuals can receive payments immediately 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 their taxes – until July 15, 2020. This provision applies to only those individuals and entities having an April 15<sup>th</sup> filing deadline. Also, contributions to an individual retirement can be made at any time during the year or by the due date for filing your return for that year. Thus, you have until July 15<sup>th</sup> to make a contribution to your retirement account.

There are more questions than answers regarding the implementation of the CARES Act and other recently passed and future legislation (Part 4? Other?). It will take time for the I.R.S., Small Business Administration, and others to develop applicable procedures, and then 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 with one another and consult with I.R.S. staff (<https://www.irs.gov/coronavirus>), lenders, certified public accountants, federal and state elected officials, agency personnel, and others to gain a better understanding of the Act and how it impacts American farmers and ranchers. Please be aware that new information and understandings are coming out each day.

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