



Extension

UNIVERSITY OF WISCONSIN-MADISON

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Economic Injury Disaster Loans (EIDL) now open to agricultural enterprises

The Small Business Administration (SBA) was given direction in the CARES Act to modify their loan program for economic injury disaster loans (EIDL) to offer more favorable terms for businesses affected by COVID-19. However, the first round of EIDL funding for COVID-19 did not allow agricultural enterprises to apply. The *Paycheck Protection Program and Health Care Enhancement Act* signed into law on Friday, April 24, 2020 eliminated that exception, allowing farms with 500 or fewer employees to apply for these loans. This Act also provides an additional \$60 billion in funding to the EIDL program specific to COVID-19 business economic injury.

SBA plans to first process applications that are currently submitted. In anticipation of the EIDL opening again for new applications (including those from agricultural enterprises), information on the program is provided in this article. New applicants are encouraged to watch for updates on this website: <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

The EIDL program requires applicants to apply directly to SBA. To apply for an EIDL online, please visit <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>. The SBA District Office is an important resource when applying for SBA assistance. There are two District Offices for Wisconsin: one in Madison 608-441-5263 and one in Milwaukee 414-297-3941.

To be eligible for an EIDL, a business must have 500 or fewer employees and have been in operation by January 31, 2020. The following types of business are eligible for EIDL:

- Sole proprietorships, with or without employees,
- Independent contractors, with or without employees,
- Cooperatives,
- Employee owned businesses,
- Tribal small businesses,
- Private non-profit that has tax exemptions under 501 (c), (d) or (e).

The SBA EIDL COVID-19 loans can be up to \$2 million, based on the severity of economic injury suffered. The interest rate is 3.75% for businesses and 2.75% for non-profits. Maximum term is 30 years. The SBA determines the loan term and monthly payments based on the applicant's financial position. The SBA typically takes 18 to 21 days to process a loan and then two to five days to disburse the funds; however, the volume of COVID-19 applications may affect this usual timeline.

These loans are not forgiven (except for emergency advances, see below for those details).

Loans can be used to cover:

- Payroll,
- Fixed debts (like mortgages but not on federal debts),
- Accounts payable,
- Rent.
- Other operating expenses.

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There are several things that for which these loans cannot be used. Iowa State University's Center for Agricultural Law and Taxation has more information in [a recent blog post from April 24, 2020](#), including a list of what is prohibited, such as direct payments to owners, refinancing long-term debt, expanding facilities or repairing physical damages.

Emergency EIDL Advances – and how they can turn into grants

The CARES Act included language and funding for the SBA to provide businesses with advances of up to \$10,000 for EIDL loans. These loan advances are supposed to be available within three days of the application (although this has not occurred for many EIDL advances so far). When these quickly accessible funds are used for allowable purposes, these advances become grants. Once these advances are deemed grants, the business is not required to pay the advance amount back. These loan advances are limited to \$1,000 per employee up to \$10,000, so a business needs at least 10 employees to receive the maximum \$10,000 advance. Thus sole proprietors with no employees cannot receive advances but are limited to only applying for the actual EIDL loan.

Can Businesses Apply for both the EIDL and Paycheck Protection Program (PPP)?

A borrower can generally obtain both an EIDL and PPP; however, the proceeds may not be used for the same purposes. A borrower still must meet eligibility requirements for each program individually. If a business receives an EIDL advance/grant, it will be subtracted from the forgivable PPP loan amount.

Note: As of April 25, there is nothing indicating that receiving PPP or EIDL loans will affect payments from the Coronavirus Food Assistance Program, the new USDA program that will make direct payments to farmers through the FSA in response to COVID-19.