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legislation S.3612 and H.R.6821 – the Small Business Expense Protection Acts of 2020, or H.R. 6754 - the Protecting the Paycheck Protection Program Act – that will ensure the ...

Nov. 23, 2020

**PAYCHECK
PROTECTION
PROGRAM**



Earlier this year, the [American Institute of CPAs](#) (AICPA) joined more than 170 organizations [urging Congress](#) to include a technical correction addressing the tax treatment of loan forgiveness under the Paycheck Protection Program (PPP) in its next round of legislation addressing the coronavirus pandemic. As we approach the close of 2020, legislation has been introduced in the House and the Senate that would ensure that PPP loan recipients are provided the full benefits intended in the Coronavirus Aid, Recovery and Economic Security (CARES) Act – S.3612 sponsored by Senator John Cornyn (R-TX), H.R. 6821 sponsored by Representative George Holding (R-NC), and H.R. 6754, sponsored by Representative Lizzie Fletcher (D-TX).

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Taxation, Edward Karl, CPA, CGMA. “PPP recipients – particularly small businesses – cannot afford to be surprised with a tax bill next year on their PPP loan expenses and more than ever before need to be able to project how much cash they will have to cover their basic expenses. And for owners of small, pass-through businesses, this translates to their homes and families directly. Members of Congress must act now and pass this legislation to ensure that struggling businesses and their owners can recover.”

The PPP was adopted as part of the CARES Act which stated that any loan forgiveness under the program would be excluded from the borrower's taxable income. Although the intent of the CARES Act was clearly to allow the deductibility of expenses related to loan forgiveness, the statute was silent. However, the publication of IRS Notice 2020-32, and more recently Rev. Rul. 2020-27, settled this policy by denying borrowers the ability to deduct the same expenses that qualified them for the loan forgiveness.

Accounting • Benefits • Small Business

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