

IRS DISALLOWS DEDUCTION FOR EXPENSES RELATED TO PPP LOAN FORGIVENESS

As part of the CARES Act, Congress authorized the Paycheck Protection Program through loans granted by the Small Business Administration (SBA). For the eight weeks following the origination of the loan, certain costs and payments incurred for payroll, interest on any mortgage (but not principal or prepayment), rent and utilities will result in a portion of the loan being forgiven. Although Congress explicitly wrote within the CARES Act that the debt forgiveness would not be includible into income, the law was silent with respect to the deductibility of expenses that were paid with the loan proceeds that are ultimately forgiven. On April 30th, the IRS provided guidance in Notice 2020-32 indicating that taxpayers would not be allowed to deduct expenses that were funded with the forgivable portion of the loan.

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