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## The IRS Issues Guidance on Deductibility of Expenses When a PPP Loan is Forgiven

Businesses that receive a loan from the Paycheck Protection Program (PPP) and qualify to have all or a portion of their loan forgiven under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or Act) will not recognize taxable income on the amount of the loan that is forgiven. This was expressly stated within the Act.

As discussed in a previous article ([find here](#)), the forgivable amount of a PPP loan is based on certain ordinary and necessary business expenses. These "forgivable use" expenses include:

- Payroll costs
- Payments of interest on secured debt
- Covered rent obligations
- Covered utility payments

The CARES Act did not address the tax treatment of these forgivable use expenses. On April 30, 2020, the IRS issued [Notice 2020-32](#) to provide guidance on this issue. It states that no deduction is allowed for an expense that is otherwise deductible if the payment of the expense results in forgiveness of the PPP loan.

The IRS's position is that allowing these expenses to be deductible would provide a double tax benefit. Members of Congress and the AICPA are challenging this position and believe this guidance is against the intent of the CARES Act. Until further guidance is issued, however, these expenses are not deductible.

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