



Paycheck Protection Program Income Tax Consequences

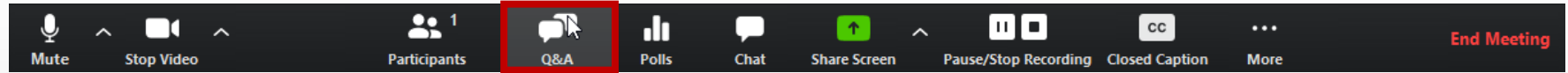
Webinar 7/31/2020

Presented By
Gineris & Associates



After the presentation we will host a Q&A session.

Please write your questions in the Q&A section in the menu below.



We will enable your microphone to ask your question.

- Please designate in your question if you'd prefer me to read it for you.



- PPP Loans are still available through 8/8 – one more week
- If your bank isn't offering them, we can share options



- SBA says PPP forgiveness applications are on hold until at least August 10th.
- May get extended if new legislative amendments to the forgiveness process necessitate changes to the system.
- Final Treasury guidance regarding PPP forgiveness applications, expected in early July, is now not expected until after related federal legislation is resolved.



- At least 60% payroll; up to 40% rent, interest, utilities.
- Covered period 24 weeks instead of 8, though you can elect 8 if you received loan prior to June 5
- Safe Harbor re-hire period is now 12/31/2020
- Loan maturity up to 5 years if not 100% forgiven
- Loan payment deferral = when SBA remits forgiven amount to lender, or 10 months after covered period ends



- As we've mentioned in previous webinars, [IRS Rule 2020-32](#) states that ordinary business expenses that are paid for using *forgiven* PPP Loan proceeds are not deductible since the forgiven loan amount is excluded as gross income (no double tax benefit)
- This is the current ruling in force



- The IRS's position has been publicly criticized by key members of Congress, including, Senate Finance Committee Chair, Chuck Grassley, R-Iowa, who indicated that the IRS' position is contrary to the intent of the Paycheck Protection Program, and Chair of the House, Ways and Means Committee, Richard E. Neal, D-Mass, who suggested that future legislation would reverse the IRS' position in Notice 2020-32.



- Within a week of the release of Notice 2020-32, a bipartisan group of Senators introduced the Small Business Expense Protection Act of 2020.
- The Protection Act confirms the intended treatment of business expenses forgiven under Section 1106(i) of the CARES Act by amending that Section to include, “...no deduction shall be denied or reduced, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income...”
- This legislation would erase any confusion by clarifying that expenses paid with a forgiven PPP loan can still be deducted from small businesses’ taxes.
- The Protection Act was referred to the Committee on Finance and no further action has been taken at this time.



- We will see if there will be further congressional action, a new law, court involvement, or updated rulings from Treasury.
- If not, given that income is down for many businesses due to COVID in 2020, this is as good a year as any for such a tax filing, versus next year when (hopefully) business and income pick back up.
- Key is to understand and be prepared for the tax consequences.



Pat explains scenarios





1. We will be reviewing your financials, inclusive of PPP Loan amounts, and will meet with you regarding your specific potential tax consequences.
2. Bring up any questions, issues, or concerns with your account manager and/or tax manager and confirm and/or challenge our tax planning assumptions.
3. Follow us on [Facebook](#), [LinkedIn](#), [YouTube](#), and [Twitter](#), and stay connected via our website [Coronavirus Updates](#) page where you can access videos, resources and FAQs.
4. If you're not a current client, we'd be happy to [start a relationship](#) with you.