

## **Top Senate Tax-Writers Introduce Legislation to Allow PPP Loan Deductions**

May 7, 2020

A bipartisan group of senators introduced legislation on Wednesday that would allow companies that get a hand from the Small Business Administration's Paycheck Protection Program to write off expenses covered by those loans.

Lawmakers have said that the phase three coronavirus package, H.R. 748 (116), intended to allow businesses to take forgivable loans from the PPP and then deduct normal business expenses like wages and rent that would be covered by that program.

But the IRS didn't see it that way, saying last week that allowing both the forgivable loans and business write-offs would be improper double dipping. Treasury Secretary Steven Mnuchin, a key player in negotiating the CARES Act in March, has backed the IRS' interpretation.

The legislation from Finance Chairman Chuck Grassley (R-IA); Small Business Chairman Marco Rubio (R-FL.); Sen. Ron Wyden (D-OR), the top Democrat on the Finance panel; Sen. John Cornyn (R-TX); and Sen. Tom Carper (D-DE) would make it clear that businesses can deduct items like wages and rent that were paid for by forgivable PPP loans. The senators say it would give companies another needed boost during the tough times caused by Covid-19.

Rep. Lizzie Fletcher (D-TX) has introduced a similar bill in the House, and Grassley, Wyden and House Ways and Means Chairman Richard Neal (D-MA) wrote to Mnuchin on Tuesday to challenge the administration's decision on the deductions.

The administration and lawmakers have been talking about a potential sequel to the CARES Act, which could open up a vehicle for a measure seeking to codify congressional intent on the small business loans and the tax deductions.

But there also could be plenty of hurdles for another coronavirus relief package, so it's not clear yet if and when Congress would be able to pass the clarifying legislation.

###