

Publications

Federal Tax Bulletin: IRS Concludes That Employer Expenditures Eligible for PPP Loan Forgiveness Are Not Deductible

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Under the CARES Act, loans obtained by employers under the Paycheck Protection Program (PPP loans) are eligible to be forgiven, in whole or in part, in an amount equal to certain qualifying expenditures made by the employer during the 8-week “covered period” (including certain payroll costs, rent, utility payments, etc.). (For further discussion of PPP loans, see the “Economic Relief for Businesses” section on our [COVID-19 Tax Force Alerts page](#).) The CARES Act provides that the amount of a PPP loan that is forgiven is excluded from an employer’s gross income, and therefore is not subject to income tax. However, a question debated by commentators since enactment of the CARES Act has been whether an employer can claim a tax deduction for the corresponding qualifying expenditures. On April 30 the IRS addressed this question in Notice 2020-32, which concludes that where an employer obtains forgiveness of an amount of a PPP loan, the employer may not claim a tax deduction for the eligible expenditures resulting in such forgiveness. Contact your Vorys attorney for questions regarding this Notice.

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VORYS COVID-19 TASK FORCE

Vorys attorneys and professionals are counseling our clients in the myriad issues related to the coronavirus (COVID-19) outbreak. We have also established a comprehensive Coronavirus Task Force, which includes attorneys with deep experience in the niche disciplines that we have been and expect to continue receiving questions regarding coronavirus. Learn more and see the latest updates from the task force at vorys.com/coronavirus.