



November 30, 2020

PPP Loan Expenses and Revenue

On November 18, 2020, the IRS issued additional guidance through "[Revenue Ruling 2020-27](#)". It states that at the end of the taxable year, if the taxpayer **reasonably believes** the Paycheck Protection Program (PPP) loan is to be forgiven, **the expenses related to the PPP do not qualify for a deduction**. It also states that if the taxpayer intends to apply for forgiveness in the next taxable year, the related expenses are not deductible in the year of the expense.

The IRS issued guidance through "[Revenue Procedure 2020-51](#)" allowing PPP participants who are denied forgiveness or elect to forgo forgiveness can claim a deduction for eligible expenses.

The CARES Act specifically states the PPP loan forgiveness will not be taxable income. However, Section 265(a)(1) of the Internal Revenue Code and §1.265-1 of the Income Tax Regulations provide that no deduction is allowed to the extent the deduction is allocable to income that is wholly excluded from gross income.

The AICPA has been and still is pushing for the deductions of expenses. We expect more guidance with the next CARES package, ideally before year end. However, we may not see a resolution until the end of January 2021.

More information regarding COVID-19 for businesses and individuals can be found [here](#). If you have further questions or need additional guidance, please leave a message at (616) 575-3482 or email info@ehtc.com. Thank you for choosing EHTC as your strategic partner.