

If you are not a business owner who received a PPP loan from the SBA, you can have a Coke and a smile, and skip this email. Otherwise, please read on-

The IRS reiterated its unpopular position with Revenue Ruling 2020-27 which essentially states that **expenses paid with forgiven PPP loan proceeds** are not tax deductible. In other words, those expenses will not reduce otherwise taxable revenue. That's the first hit.

The second hit states that if you reasonably expect PPP loan forgiveness, and most businesses do, you must assume forgiveness will occur and not deduct expenses paid with PPP loan proceeds. So, if you are tax planning for 2020 or even preparing a 2020 tax return, and forgiveness has not been formally approved, you cannot deduct expenses paid with PPP funds if you reasonably expect loan forgiveness later in 2021.

In essence, your **PPP loan proceeds are taxable income** in a roundabout way.

Yeah, yuck! The good news, if there is some, is that WCG has been tax planning for this since May. Simple tax theory tells us that expenses paid with non-taxable income is disallowed (there are some narrow exceptions); CPAs learn that in their first tax class. Yes, we were hoping we were wrong. Yes, we were hoping for some relief from Congress. But nope! So, if your favorite tax pro at WCG provided tax planning for you and your business in 2020, you are probably in the clear from a "oh crud, my tax bill just jumped" perspective. Please check with us if unsure.

Read our blog post here-

<https://wcginc.com/blog/ppp-loan-forgiveness-taxable-income/>

Have a splendid day! And... Happy Thanksgiving! It is certainly my favorite holiday for friends and family, and another Lions loss (I used to pick on Dallas, but without Dak, it seems unfair this year). Please be safe as you enjoy the holidays!

Warm Regards,

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