

Steward Financial Services

IRS Guidance: PPP Loan Expenses Not Tax-Deductible

On April 30th, the IRS released guidance announcing that expenses related to Paycheck Protection Program (PPP) forgivable loans will not be tax-deductible.

The PPP was originally created as part of the [CARES Act](#), a \$2.2 trillion coronavirus relief bill. The program provides low-interest loans to small businesses that will be forgivable as long as the funds go are used for “essential” expenses like maintaining payroll.

The initial appropriation of \$349 billion ran out quickly, and a second-round was passed as part of the [PPP & HCE Act](#), providing \$310 billion in additional funds.

Usually, wages would be deductible expenses for employers, and forgiven debt would count as taxable income. Under the coronavirus relief packages, however, PPP loan forgiveness will not count as taxable income.

That being said, the IRS guidance states that expenses that result in forgiveness of a PPP loan are not tax-deductible in order to prevent a "double tax benefit."

If they decide to take action on this topic, Congress could override the IRS's guidance by passing a law that would explicitly allow the deductions.

We will continue to keep you updated on the latest IRS guidance and other PPP news and legislation. Please contact us if you have any questions.

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