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California Employers Urge Quick Passage of Bill to Help Businesses Impacted by COVID-19

AB 281 by Assemblywoman Autumn Burke would bring relief to California employers and remove penalties for California businesses that received COVID-relief loans

SACRAMENTO -- To support employers across the state that have been hit hard by the COVID-19 pandemic, a coalition representing restaurants, retailers, health care providers and other businesses have joined forces to protect the ability of small businesses across the state to keep their doors open by allowing those that have received Paycheck Protection Program (PPP) loans to deduct eligible expenses on their state taxes.

AB 281 by Assemblywoman Autumn Burke (D-Marina Del Rey) will align California law with recent changes made in the bipartisan COVID-relief package allowing for these deductions, as part of the effort to protect businesses that are continuing to struggle amid the ongoing pandemic.

Recipients of PPP loans are employers who have shouldered the economic burden from the COVID-19 fallout and have done everything possible to keep as many employees as possible on their payrolls. The change would be consistent with other states, such as New York, that are working to provide similar relief to businesses and the communities they serve, and with the intent of the bipartisan federal agreement reached late last year.

"Small business is the backbone of our economy," said John Kabateck, state director of the National Federation of Independent Business (NFIB) California, which advocates on behalf of small and independent business owners. “This bill would eliminate another economic burden on small business owners who have taken the brunt of the economic downturn in our state over the last 11 months.”

“Restaurants utilized Paycheck Protection Funds in 2020 to pay employees during state and local government-ordered shutdowns and partial closures” said California Restaurant Association President and CEO, Jot Condie. “The pandemic may force the permanent closure of up to 30 percent of restaurants. AB 281 will help many of these businesses keep their doors open, helping keep thousands of Californians employed and serving communities across our state.”

Coalition members are asking lawmakers to pass AB 281 before businesses file their 2020 tax returns this Spring.

“With tax season already upon us, urgent conformity is needed to avoid significant and unexpected tax consequences for California small businesses that received a PPP loan,” said Anthony J. Pugliese, CPA, President & CEO of the California Society of CPAs.

Currently, state unemployment levels are more than double what they were before the pandemic hit. According to the state’s nonpartisan legislative analyst, between February and September, the California economy lost a total of 1.6 million jobs – a steeper and faster decline than during the Great Recession of 2008-9.

PPP loans became a necessary lifeline to many businesses that have endured significant financial hardship during the COVID-19 pandemic allowing them to keep their doors open and keep Californians employed.

If California fails to adjust its rules to match federal law, it will create another financial burden for California businesses that are already doing everything they can to ride out the unprecedented economic downturn caused by the COVID-19 pandemic yet are still struggling to stay afloat. AB 281 will help alleviate the burdens on these essential employers, fast-track California’s economic recovery and help keep thousands of Californians employed.