



PROTECT SMALL BUSINESSES FROM SURPRISE TAX INCREASES

IRS issued guidance reversing Congressional intent and disallowing the deductibility of Paycheck Protection Program forgiven expenses. NFIB strongly urges Congress to **restore deductibility of forgiven Paycheck Protection Program expenses.**

- On April 30, the IRS issued Notice 2020-32, which disallows the deductibility of Paycheck Protection Program (PPP) forgiven expenses. This regulatory decision issued after the vast majority of businesses (74 percent) received PPP funding, limits the benefits of the PPP and increases complexity for small business owners, who will have to separate payroll and business expenses for certain weeks during the loan's covered period.
- IRS Notice 2020-32 will effectively tax forgiven loan expenses on a gross basis, contrary to Congressional intent. This regulatory decision equates to a surprise tax increase on unsuspecting small business owners when they are struggling to keep afloat during this pandemic. This surprise tax increase will affect main street businesses in every community across the country. NFIB Research Center estimates that more than one in five small businesses will close their doors within six months if current economic conditions persist, right around the time they will receive the tax bill. This IRS Notice is needlessly harmful to the small business economy's recovery efforts.
- NFIB strongly encourages Congress to prevent surprise tax increases on small business owners. Now is the time to support small business owners – not burden them further with surprise tax increases and administrative headaches.

SMALL BUSINESS STORIES

Question: If you are unable to deduct forgiven PPP expenses, how will this affect your business?

Mike – Mobile, AL

Given the crisis in the construction industry in our area, it could possibly close down my business after 44 years of operation!

Angie – Tucson, AZ

If the expenses are not allowed to be deducted, that it defeats the intended purpose of the program since struggling businesses would be burdened with a higher tax bill.

Cristina – El Cajon, CA

I am a tax professional and this affects not only my business but my clients' businesses as

well. I stand to pay several thousand dollars more in taxes unless I can deduct the expenses paid with PPP loan proceeds.

Theresa – Napa, CA

This has been a very difficult year for our business. We have been here in Napa for over 68 years and hope to be here another 68. Please allow deduction of forgiven expenses!

Dawn – Sacramento, CA

As with most small manufacturing businesses in the USA we find it is a constant struggle to compete with large corporations that can spread or absorb costs and have teams dedicated to dealing solely with government regulations. I ask that you help those of us Americans that work hard while juggling several different hats (worker, HR, bookkeeper, regulations, etc.) to save our businesses from the bombardment of additional government regulations and paperwork along with honoring the original Congressional intent of the CARES Act. We are hurting out here and we need your help!

Jeanette – Santa Cruz, CA

As a constituent and a small business owner, please support my continued efforts to keep all of my employees being paid at the levels they were being paid prior to our major loss of business during the current Covid-19 crisis. The PPP loan program has enabled us to do so, however, the IRS notice which disallows the deductibility of forgiven expenses will create a major hardship of our already struggling business. It will take years for us to recover from this economic disaster and being allowed to deduct all our expenses will help in our recovery as was intended with the original legislation.

David – Marietta, GA

It will add a tax burden. The PPP did not benefit the company nor the owners it kept people employed. Given the latest rules we would have been better off to put them out on unemployment. Again, a good policy gone bad. We took the PPP looking out for the staff.

Mike – Augusta, GA

This is critical for our survival and we do not know the end in time or money.

Stacey – Gainesville, GA

Businesses across the country have been hit hard by this pandemic that has devastated their financial stability. When the Administration and Congress asked business to step forward and participate in a national lockdown we did with the understanding that there would be financial assistance to protect our employees and basic facilities. Now the IRS is

taking that away in not allowing the deductibility of those expenses as most all business owners understood we would be able to do so. As you consider the next coronavirus legislative package, I urge you to allow small business owners to deduct qualified PPP expenses.

Donald – Covington, IN

This constitutes taking back approximately 42% of the loan amount in the form of taxes and will be painful. Are they trying to stimulate the economy or not? And how can the IRS go against the express intent of Congress? Who is in charge in Washington?

Larry – Mason City, IA

I read the information package twice. Having to pay taxes on all those expenses will delete any gain I received by getting the PPP money.

Julie – Saline, MI

As a small business we are dedicating hundreds of hours to comply with COVID-19 related regulations. To have the rules changed continuously throughout our struggle is frustrating. Having additional taxes thrown on top of all the expenses we are already incurring is ridiculous. Please abide by your word and fix this issue.

Michael – Three Rivers, MI

My bowling center has been forced closed for 6 months. The PPP funds I received helped me through the summer, but my account is basically empty now. We are reopening now but our business is a fraction of what it used to be. Getting a surprise tax bill in April will be a MAJOR hardship. I am banking on getting a RETURN of the estimated tax I already paid as my income this year is negative. As a constituent and small business owner, I urge you to allow small business owners to deduct PPP expenses.

Jean – New Germany, MN

When Congress created the PPP loan it was not intended to hurt small business. If PPP expenses are not allowed to be deducted that is exactly what will happen and this program will have been a complete failure and frankly a slap in the face to business owners like me who through no fault of our own have been negatively impacted by the mandates and orders and closures/restrictions due to Covid19. I spent 100% of the loan dollars on my staff and keeping them employed. I took no money for me as the business owner and paid no other business expenses with it. I urge you to uphold the original intent of the legislation and allow the deduction of business expenses paid with PPP loan dollars.

Jean – New Germany, MN

This will dramatically affect my business. I initially lost 95% of my revenue when Covid first hit. My business depends nearly 100% on people's ability, willingness, and desire to travel. Five months later my business has only recovered to about 40% of pre-Covid levels and travel is not expected to return to normal for several years. I spent 100% of the PPP money on keeping as many staff employed as I could. I, as the business owner, have not taken any pay since early March and likely will not for the balance of the year. However, that is not sustainable. At some point I will need to take some pay. All the programs that have been enacted have helped many people. Unfortunately, small business owners have been left out. I need to be able to take that deduction for PPP expenses to survive. Also, I will likely need another round of PPP to keep my staff employed and my business viable.

Steven – Big Lake, MN

This would be an extreme hardship. The PPP loan helped keep our bar & restaurant afloat for now. Not being able to deduct the expenses the PPP loan paid for would create a tax burden we cannot afford on top of all the additional expenses incurred to keep our place safe.

Gayle – Henderson, NV

This will increase expenses (taxes we have to pay) and any expense at this time risks the survival of our business. We used the PPP loan to keep employees employed. It didn't replace lost revenue. There's no revenue to pay taxes with.

Laura – Delanson, NY

The uncertainty that small businesses are facing right now is unprecedented. The political environment in an election year and the fallout from the COVID pandemic have created instability for small businesses. We are a small heavy and specialized trucking company based in upstate NY. Our customers are industrial manufacturers. No one is "back to normal" full capacity. There is a lag from the shut down and no one knows how long it will last. What is going to happen to insurance costs? Tax rates? Unemployment rates? Payroll taxes? Will our customers still be there? Will our employees stay? The newest IRS guidance changing the intent of the PPP loan as we understood it at the time of receipt is a real sucker punch. It is a backhanded tax increase to every small business that used this valuable tool to survive. Wasn't saving small businesses and the jobs they provide your intent? We held up our end of the bargain and now the "rules of the game" changed after the fact. Why are we going to be punished when we used the PPP loan tool to save the jobs we provide? The overwhelming success of the PPP is in jeopardy unless qualified forgiven expense deductibility is reinstated.

Ellen – Cuba, NY

It will be a devastating. It's a double-edged sword. I'm given help just to survive only to turn around and knock me down.

Holly – New Middletown, OH

My husband and I own a 52-year-old small manufacturing business in New Middletown, OH. The PPP loan was a huge help to keep our doors from closing and kept our employees employed. It gave us a window to regroup since all our production orders for the rest of 2020 and the beginning of 2021 got cancelled. To stay viable as a company we invented a high-volume Quad-Sink to get large gatherings of people back together again safely. We literally had to reinvent ourselves in a matter of months. Being knocked down to ground zero we need all the help we can get to make our new endeavor as a company work. Allowing the deductibility of the PPP loan forgiveness expenses would be another help for us and I strongly urge you to please support this.

Wendy – Doylestown, PA

It would be a HUGE hit for our business. The taxes are going to hurt us badly next year.

Valerie – Pearland, TX

I did not know that we could not deduct forgiven expenses. This would affect me and business significantly.

Tom – Vancouver, WA

I have been able to maintain full payroll because of the PPP loan. If I have to factor in paying taxes on the amount at the end of the year, it could adversely affect my ability to keep people on the payroll. As I write this, our business is still down more than 60%. The only reason I have not had to do layoffs is the PPP loan.