

Congress May Overturn IRS' Position in Notice 2020-32 that Expenses Resulting in Paycheck Protection Program Loan Forgiveness are Not Deductible

By John B. Waters

On April 30, 2020 the IRS issued Notice 2020-32 which concluded that no deduction is allowed under the Internal Revenue Code ("Code"), for an expense that is otherwise deductible if the payment of the expense results in covered loan forgiveness under section 1106(b) of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Public Law 116-136, and such loan forgiveness is excluded from gross income under the Code.

The IRS's position has been publicly criticized by the AICPA and by key members of Congress, including, Senate Finance Committee Chair, Chuck Grassley, R-Iowa, who indicated that the IRS' position is contrary to the intent of the Paycheck Protection Program, and Chair of the House, Ways and Means Committee, Richard E. Neal, D-Mass, whose spokesperson indicated that future legislation would reverse the IRS' position in Notice 2020-32.

For additional information or assistance with the applicability and effect of this development, please contact any of the listed Roetzel attorneys.

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