

Treasury and IRS Issue Guidance Clarifying the Deductibility of Expenses Where a Business Received a PPP Loan

November 18, 2020

WASHINGTON – The U.S. Treasury Department and Internal Revenue Service (IRS) released guidance today clarifying the tax treatment of expenses where a Paycheck Protection Program (PPP) loan has not been forgiven by the end of the year the loan was received.

Since businesses are not taxed on the proceeds of a forgiven PPP loan, the expenses are not deductible. This results in neither a tax benefit nor tax harm since the taxpayer has not paid anything out of pocket.

If a business reasonably believes that a PPP loan will be forgiven in the future, expenses related to the loan are not deductible, whether the business has filed for forgiveness or not. Therefore, we encourage businesses to file for forgiveness as soon as possible.

In the case where a PPP loan was expected to be forgiven, and it is not, businesses will be able to deduct those expenses.

“Today’s guidance provides taxpayers with greater clarity and flexibility,” said Secretary Steven T. Mnuchin. “These provisions ensure that all small businesses receiving PPP loans are treated fairly, and we continue to encourage borrowers to file for loan forgiveness as quickly as possible.”

[Click here to view the revenue ruling.](#) 

[Click here to view the revenue procedure.](#) 

####