

News & Insights

Tax Attorney David Potts shares IRS Notice - Eligible Paycheck Protection Program expenses now deductible

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IRS Notice

<https://www.irs.gov/pub/irs-drop/rr-21-02.pdf>

WASHINGTON – The Treasury Department and the Internal Revenue Service issued guidance today allowing deductions for the payments of eligible expenses when such payments would result (or be expected to result) in the forgiveness of a loan (covered loan) under the Paycheck Protection Program (PPP).

Today's guidance, Revenue Ruling 2021-02, reflects changes to law contained in the COVID-related Tax Relief Act of 2020, enacted as part of the Consolidated Appropriations Act, 2021 (Act), Public Law 116-260, which was signed into law on Dec. 27, 2020.

The COVID-related Tax Relief Act of 2020 amended the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to say that no deduction is denied, no tax attribute is reduced, and no basis increase is denied by reason of the exclusion from gross income of the forgiveness of an eligible recipient's covered loan. This change applies for taxable years ending after March 27, 2020.

Revenue Ruling 2021-02 obsoletes Notice 2020-32 and Revenue Ruling 2020-27. This obsoleted guidance disallowed deductions for the payment of eligible expenses when the payments resulted (or could be expected to result) in forgiveness of a covered loan.

For more information about this, the COVID-related Tax Relief Act of 2020, and other tax changes, contact your Hall Estill Attorney or visit [IRS.gov](https://www.irs.gov).

Attorneys

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