

IRS Declares that Expenses Paid with PPP Loan Proceeds Are Not Deductible

The U.S. Internal Revenue Service issued Notice 2020-32 on April 30, 2020. This Notice states that no deduction is allowed for an expense that is otherwise deductible, if the payment of the expense results in forgiveness of the PPP Loan. Consequently, if you have a PPP Loan and use those proceeds, directly or simply to refill your operating account, in paying payroll, rent, interest on debt service and utilities that qualify for debt forgiveness, you cannot deduct those expenses which were the subject of the forgiveness.

The CARES Act did not directly address this issue. We anticipate there may be challenges filed by taxpayers.

The present IRS position should be taken into account in your future tax planning and use of PPP Loan proceeds.

CARES Act Alert

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