

## Taxes and the Payroll Protection Program

Good afternoon,

Late yesterday, the Internal Revenue Service issued Notice 2020-32 regarding the deductibility for Federal income tax purposes of certain otherwise deductible expenses incurred when the taxpayer receives a loan pursuant to the Paycheck Protection Program (PPP). The loan proceeds are not taxable, but the law did not specifically address the deductibility of the related payroll and other costs which are eligible for forgiveness.

The notice ([\*\*\*found here\*\*\*](#)) states that **no deduction** is allowed under the Internal Revenue Code for an expense that is otherwise deductible, if the payment of the expense results in forgiveness of the PPP loan. This is a disappointing interpretation, as it reduces the value of the PPP loan benefits. We expect adverse reaction to this conclusion and will keep you posted with further developments.

Please reach out to us at any time if we can answer questions or assist you in any way.

The Partners of  
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