

How Does the New PPP Loan Guidance Impact Future Tax Planning?

The IRS released new ruling and guidance on November 18, 2020 for businesses who received a Paycheck Protection Program (PPP) Loan, [Revenue Ruling 2020-27](#) and [Revenue Procedure 2020-51](#), which clarifies the tax deductibility of expenses related to loans that have not been forgiven.

Taxpayers will be required to anticipate when they "reasonably expect" to receive forgiveness based on the timing of the expenses paid/incurred for the purposes of PPP. This means the lack of deductibility outlined in a previous IRS ruling will effectively create taxable income in the amount of the anticipated forgiveness for most taxpayers in 2020 (especially those who are calendar-year taxpayers).

The second revenue procedure outlines procedures for incorrect estimates.

What does this mean for businesses?

Many taxpayers, who had expected Congress to overturn the IRS revenue ruling and have not been making estimated tax payments during 2020, may need to plan for a larger estimate tax payment on the January 15, 2021 deadline.

Those who were waiting to apply for loan forgiveness due to an unknown tax planning opportunity, may no longer need to wait to apply. However, there is a new [PPP Necessity form](#) that is still under open comment period, which may impact your decision on when to apply for forgiveness.

Future legislation may impact this and other PPP-related guidance, so it's important to consider your options and understand the risks. We will continue to monitor possible updates, and we recommend you also monitor possible updates and contact your Congressional representative and/or [comment on the Necessity form](#) if you are concerned about how this affects your business.

How Can We Help?

These recent developments pose a challenge to businesses with more complexities and considerations. There is not a uniform answer on when it is the best time for a business to apply for forgiveness, so please reach out to the PKF Texas accountants and advisors who can co-develop a solution which makes most sense for your business.

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