



June 4, 2020

The Honorable John Cornyn
United States Senate
517 Hart Senate Office Building
Washington, DC 20510

The Honorable Chuck Grassley
United States Senate
135 Hart Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
United States Senate
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tom Carper
United States Senate
513 Hart Senate Office Building
Washington, DC 20510

The Honorable Marco Rubio
United States Senate
284 Russell Senate Office Building
Washington, DC 20510

Dear Senators Cornyn, Grassley, Wyden, Carper, and Rubio:

I write in support of S. 3612, the “Small Business Expense Protection Act,” legislation you have introduced to restore congressional intent over the Paycheck Protection Program (PPP) by allowing small businesses to deduct business expenses paid using loans received through the program.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act created the PPP to provide small businesses impacted by COVID-19 with emergency liquidity so they could continue making payroll and meeting other business expenses. Since the program was created several months ago, millions of small businesses have received loans.

On April 30, the IRS released Notice 2020-32, which prohibited businesses from deducting expenses paid with a PPP loan such as payroll, rent, and utility expenses, even though these expenses would otherwise qualify as ordinary, tax deductible business expenses.

Denying the ability of small businesses to deduct expenses paid with PPP loans will impose an additional tax burden on these businesses that will erode a portion of the financial assistance granted through the program. This will only harm small businesses across the country as they attempt to survive and re-open in the wake of the pandemic. A recent [second tranche](#) of PPP loans distributed averaged just \$79,000 per business, so the financial assistance businesses are receiving is relatively modest.

The IRS Notice disregards Congressional intent as Section 1106(i) of the CARES Act clearly states that any PPP loan should be exempt from taxation if such loan is forgiven. Further, Congressional leaders from both sides of the aisle [recently](#) urged Treasury to reverse course, noting that the IRS Notice “ignores the overarching intent of the PPP, as well as the specific intent of Congress to allow deductions in the case of PPP loan recipients.”

I support the Small Business Expense Protection Act and urge it to be enacted into law. This legislation will uphold Congressional intent by allowing small businesses to deduct business expenses paid by PPP loans, a measure that will ensure businesses do not face additional taxation from COVID-19 relief measures.

Onward,

Grover Norquist
President, Americans for Tax Reform

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