



May 05, 2020

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

The Honorable Chuck Grassley
Chairman
U.S. Senate Committee on Finance
Washington, DC

The Honorable Ron Wyden
Ranking Member
U.S. Senate Committee on Finance
Washington, DC

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

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

RE: S. 3612, the Small Business Expense Protection Act of 2020

Dear Senators Cornyn, Rubio, and Carper, Chairman Grassley, and Ranking Member Wyden:

The American Institute of CPAs (AICPA) commends your efforts for America's small businesses as they work to maintain operations during the COVID-19 pandemic. We also appreciate your work to encourage the swift implementation of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act or Pub. L. No. 116-136). Specifically, we support the bipartisan legislation, S. 3612, the Small Business Expense Protection Act of 2020. This bill will clarify that the receipt and forgiveness of Coronavirus assistance through the Paycheck Protection Program (PPP)¹ does not affect the deductibility of ordinary business expenses.²

On April 30, 2020, the Internal Revenue Service (IRS) released Notice 2020-32, which indicates that no tax deduction is allowed for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a PPP covered loan. This legislation will remedy the IRS guidance and allow taxpayers to deduct³ covered expenses paid or incurred

¹ [H.R. 748](#), The Coronavirus Aid, Relief, and Economic Security Act, Section 1102: Paycheck Protection Program.

² [H.R. 748](#), The Coronavirus Aid, Relief, and Economic Security Act, Section 1106(i): Loan Forgiveness.

³ Under IRC section 162 or 163.

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by an eligible recipient of a small business loan that is forgiven pursuant to section 1106(b)⁴ of the CARES Act.

It is clear that Congress intended to allow a full deduction for PPP related expenses. “Providing assistance to small businesses, only to disallow their business deductions as provided in Notice 2020-32, reverses the benefit that Congress specifically granted by exempting PPP loan forgiveness from income.”⁵ This important legislation helps ensure that small business taxpayers affected by the ongoing pandemic will receive the full intended benefits of the CARES Act.

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The AICPA is the world’s largest member association representing the CPA profession, with more than 429,000 members in the United States and worldwide, and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium-sized businesses, as well as America’s largest businesses.

We appreciate your consideration and welcome the opportunity to discuss this issue further. If you have any questions, please contact Amy Wang, AICPA Senior Manager – Tax Policy & Advocacy, at (202) 434-9264 or Amy.Wang@aicpa-cima.com; Lauren Pfingstag, AICPA Director – Congressional and Political Affairs, at (202) 434-9208 or Lauren.Pfingstag@aicpa-cima.com; or me at (612) 397-3071 or Chris.Hesse@CLAconnect.com.

Sincerely,



Christopher W. Hesse, CPA
Chair, AICPA Tax Executive Committee

⁴ Unless otherwise indicated, references to a “section” are to a section of the Internal Revenue Code of 1986, as amended.

⁵ See Senate Finance Committee Chairman Chuck Grassley’s statement, “[Grassley, Wyden, Neal Push Treasury to Allow Small Businesses To Deduct PPP Expenses](#),” May 5, 2020.

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cc: The Hon. Mitch McConnell, Majority Leader, U.S. Senate
The Hon. Nancy Pelosi, Speaker, U.S. House of Representatives
The Hon. Charles Schumer, Minority Leader, U.S. Senate
The Hon. Kevin McCarthy, Minority Leader, U.S. House of Representatives
The Hon. Richard Neal, Chairman, U.S. House Committee on Ways and Means
The Hon. Kevin Brady, Ranking Member, U.S. House Comm. on Ways and Means
Members of the Senate Committee on Finance
Members of the House Committee on Ways and Means
Thomas Barthold, Chief of Staff, Joint Committee on Taxation
The Hon. David Kautter, Asst. Secretary (Tax Policy), Department of the Treasury