

**Congress of the United States**  
Washington, D.C. 20515

December 7, 2020

The Honorable Nancy Pelosi  
Speaker of the House  
United States House of Representatives  
H-232, U.S. Capitol  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
United States House of Representatives  
H-204, U.S. Capitol  
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy:

We write today to share our support for restoring the deductibility of forgiven Paycheck Protection Program (PPP) expenses.

As we have heard from our constituents, the PPP has served as a lifeline for small businesses in our communities. However, the success of this program is negatively impacted because of IRS Notice 2020-32. On April 30, the IRS issued Notice 2020-32 which disallowed the deductibility of forgiven PPP expenses. This regulatory decision will effectively tax forgiven loan expenses on a gross basis after the vast majority of businesses applied for the loan and after many received funds. The IRS provided this notice weeks after the Small Business Administration (SBA) and the Department of Treasury established and opened the PPP loan portal. The SBA data indicate within the month of April alone, more than 3.8 million PPP loans were approved (74% of total PPP loans).

When we passed the *Coronavirus Aid, Relief, and Economic Security Act* in March, Congress created this program to help businesses within our districts and states survive this pandemic. By disallowing PPP loan recipients the ability to deduct forgiven PPP loan expenses, this is a surprise tax increase to businesses struggling to stay afloat. This is not what Congress intended. Further, the Joint Committee on Taxation has scored legislation that would restore deductibility as a technical fix that would not increase the deficit.

While we appreciate previous COVID-related legislation in the House of Representatives addressed this important issue, we request Congress restore deductibility before the end of the year. If this notice is not corrected, the regulatory decision will damage the lasting success of the PPP program and hinder the small business economy's recovery from this crisis.

Sincerely,



Anthony Gonzalez  
Member of Congress



Lizzie Fletcher  
Member of Congress

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Member of Congress

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