

Dear Legislator,

As a Massachusetts tax practitioner and your constituent, I encourage you to support and co-sponsor **SD.172**, *An Act providing financial relief to small business during the COVID-19 pandemic*, which would allow for critical financial relief to small businesses that utilized Paycheck Protection Program (PPP) loans. It is critical that this legislation be enacted as soon as possible to ensure relief to the thousands of small business owners and a smooth tax season for tax practitioners across Massachusetts.

Section 1106 of Public Law No. 116-136, the federal “Coronavirus Aid, Relief and Economic Security (CARES) Act,” provides loan forgiveness to small businesses for certain loans made pursuant to the PPP under the Small Business Act. Under the Act, any amount of cancelled debt associated with the PPP loan that would otherwise be includable in the gross income of the borrower under the Internal Revenue Code (IRC) for federal income tax purposes is **excluded** from gross income.

However, because, for personal income tax purposes, Massachusetts adopts the IRC of personal income tax as amended and in effect on January 1, 2005, a borrower subject to Massachusetts personal income tax, any amount forgiven under § 1106 of the Act is **includable** in gross income and subject to tax¹.

Business owners across Massachusetts who applied for and received PPP loans during the first wave of the pandemic did so to ensure their business would survive what we now know has been and continues to be a long road. Companies established as pass-through entities (S Corps, sole proprietors, LLCs, etc.) tend to be smaller retail shops, restaurants, and self-employed folks who, under current Massachusetts law, would be obligated to pay the 5% income tax on the forgiven loan amount, one that would threaten their continued survival. It is also important to note that since at least 60% of the PPP loan must be allocated to payroll, these funds helped keep thousands of Massachusetts residents employed, relieving additional pressure on an already burdened unemployment insurance system, and generating millions of dollars in payroll taxes to help maintain the state’s income tax collection receipts over the many months since the pandemic began.

I saw first-hand how important the PPP loans were for my clients. Conversely, I am also attuned to the significant negative impact failing to act on this proposal will have on them, many of whom still struggling to keep their doors open. It is imperative this legislation passes as soon as possible since work is underway to prepare these clients before small business tax returns are due on March 15. Doing so will provide the confidence and support these businesses need to push through the remaining months of the pandemic and ensure a smooth tax season for taxpayers and practitioners alike. Should the legislation pass after the March 15 deadline, and while we will be grateful for the hard work of you and so many in the Legislature, I will be required to amend all pass-through entity returns, which will only exacerbate what is surely to be another abnormal and stressful tax season for all.

¹ Mass. Department of Revenue, Technical Information Release 20-9: Massachusetts Tax Implications of Selected Provisions of the Federal CARES Act

I respectfully request you co-sponsor **SD.172**, *An Act providing financial relief to small business during the COVID-19 pandemic* and work to enact this legislation as soon as possible to provide the most amount of relief to business and practitioners.

Please do not hesitate to contact me if I can provide additional information.

Thank you for your consideration and for your steady leadership through these times.

Sincerely,

Name

Address