

PPP EXPLAINER

ABC Biz	Taxpayer income and deductions excluding PPP items	Standard tax treatment of additional income/allowable expenditures	Federal PPP treatment	Taxpayer income and deductions including PPP items
STANDARD TAX TREATMENT				
Income	\$ 100,000	\$ 50,000		\$ 150,000
Expenditures	\$ (80,000)	\$ (50,000)		\$ (130,000)
Net Income/(Loss) - Basis for Tax Liability	\$ 20,000			\$ 20,000

CARES ACT				
Income	\$ 100,000	\$ 50,000	\$ (50,000) 1	\$ 100,000
Expenditures	\$ (80,000)	\$ (50,000)	\$ 50,000 2	\$ (80,000)
Net Income/(Loss) - Basis for Tax Liability	\$ 20,000			\$ 20,000

1. CARES Act said PPP income doesn't count as income
 2. Statement that if income is excluded, expenses should also be: See IRS Notice and Rev Ruling

CONSOLIDATED APPROPS ACT, 2021				
Income	\$ 100,000	\$ 50,000	\$ (50,000) 1	\$ 100,000
Expenditures	\$ (80,000)	\$ (50,000)		\$ (130,000) 2
Net Income/(Loss) - Basis for Tax Liability	\$ 20,000		3	\$ (30,000)

1. CARES Act said PPP income doesn't count as income; Consolidated Approps Act confirms (and allows forgiven loan to be nontaxable grant)
 2. Consolidated Approps Act allows for deducting allowable expenditures you paid for with that now excluded income
 3. At fed level, businesses will exclude loan-now-nontaxable grant income AND can deduct allowable expenditures paid with that now excluded income

MAINE'S PROPOSAL - standard treatment of income/allowable expenditures				
Income	\$ 100,000	\$ 50,000		\$ 150,000
Expenditures	\$ (80,000)	\$ (50,000)		\$ (130,000)
Net Income/(Loss) - Basis for Tax Liability	\$ 20,000			\$ 20,000

* For federal returns, businesses will follow Consolidated Approps Act, 2021