April 22, 2020

**Via Electronic Mail**

The Honorable Tom Wolf  
Governor  
Commonwealth of Pennsylvania  
Main Capitol Building  
Harrisburg, PA 17120

RE: **State Taxation of Paycheck Protection Program Funds**

Dear Gov. Wolf,

Thank you for announcing your proposed plans to tentatively reopen Pennsylvania businesses and return people to work. We applaud you for the measured yet necessary response to the COVID-19 pandemic. On behalf of the Pennsylvania Institute of Certified Public Accountants (PICPA) and our 20,000 members in public accounting, business and industry, education, and the not-for-profit communities, we once again offer to provide your administration with assistance as we move into the next phase of our continued fight against the virus.

One issue that we would like to bring to your attention and ask that you incorporate as part of your Plan for Pennsylvania’s Businesses is a clarification that loans forgiven under the federal Paycheck Protection Program (PPP) and the $10,000 grants received under the Economic Injury Disaster Loan (EIDL) Program are not included in the taxable income of individuals, pass-through entities, and other persons subject to the Pennsylvania Personal Income Tax (PA PIT).

When PPP loans are forgiven (turned into grants), they are not includable in taxable income for federal income tax purposes (CARES Act § 1106). In addition, EIDL Program grants are not includable in taxable income for federal income tax purposes (CARES Act § 1110). However, the PA PIT statute does not incorporate these provisions. As a result, there is uncertainty whether they are includable in the taxable income of a PA PIT taxpayer.

The nontaxable treatment of PPP loan forgiveness and EIDL grants for taxpayers subject to the PA PIT would put those persons on the same footing as corporations subject to the Pennsylvania Corporate Net Income Tax (PA CNIT). The PA CNIT conforms to the Internal Revenue Code. As the starting point for computing Pennsylvania taxable income is federal taxable income, these amounts would be excluded from a corporation’s tax base.

The tax treatment of loans forgiven under the PPP or grants under the EIDL Program should not depend upon how a business is organized. The purpose of both of those programs is to help business, in whatever form they operate, during this time of crisis. Businesses should be entitled
to use the full benefits received from these programs to maintain their businesses during the COVID-19 pandemic and not have to worry about whether they are taxable.

The PICPA, through the *Guiding Principles of Good Tax Policy*, is a strong advocate for fairness, reasonableness, and predictability when it comes to tax rules to minimize the complexities and burdens to taxpayers and state tax authorities alike. We believe that in these unprecedented times providing clear and unambiguous guidance to all taxpayers is critical.

Thank you once again, and please do not hesitate to contact us if we can be of further assistance in this matter.

Sincerely,

Michael D. Colgan, CAE
CEO & Executive Director

Martin C. Levin, CPA
President

cc: Hon. Dan Hassell