Dear Chairman Hutchinson and Blake,

On behalf of the more than 20,000 members of the Pennsylvania Institute of Certified Public Accountants (PICPA), I am writing to request your support for House Bill 2408, Printer’s No. 3676, sponsored by Rep. Brandon Markosek. The legislation passed the House unanimously on May 4 and is being considered by the Senate Finance Committee today.

House Bill 2408 exempts federal CARES Act cash payments from state and local taxes. Additionally, the bill contains a provision supported by the PICPA clarifying that loans forgiven under the federal Paycheck Protection Program (PPP) are not included in the taxable income of individuals, pass-through entities, and other persons subject to the Pennsylvania Personal Income Tax (PA PIT) and the Local Tax Enabling Act. When PPP loans are forgiven (turned into grants), they are not includable in taxable income for federal income tax purposes (CARES Act § 1106). However, the PA PIT statute does not incorporate these provisions. As a result, there is uncertainty as to whether they are includable in the taxable income of a PA PIT taxpayer. The nontaxable treatment of PPP loan forgiveness 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 Dunbar amendment simply clarifies this provision that already exists in the law as it relates to PA CNIT.

The tax treatment of loans forgiven under the PPP should not depend upon how a business is organized. The purpose of the program is to help businesses, 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.

Peter N. Calcara, CAE | Vice President - Government Relations
Pennsylvania Institute of CPAs | 500 North 3rd Street, Suite 600A | Harrisburg, PA 17101
(717) 232-1821 | Fax (717) 232-7708 | www.picpa.org

PICPA is closely monitoring the COVID-19 pandemic. Check the website for news, resources, and updates related to COVID-19 and how PICPA is advocating on your behalf.