Dear Chairmen Peifer and Wheatley,

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 2497, sponsored by Rep. George Dunbar. This legislation is scheduled to be considered by the House Finance Committee tomorrow, Tuesday, May 19, 2020.

House Bill 2497 is similar to a provision found in House Bill 2408, which the House unanimously approved on May 4. House Bill 2497 would allow loans forgiven under the federal Paycheck Protection Program (PPP) to be exempt from state 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). 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) since the PA CNIT conforms to the Internal Revenue Code. 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.

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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.