

# Save small businesses by conforming to federal tax treatment on PPP loan forgiveness

The federal CARES Act established the Paycheck Protection Program (PPP) for small businesses experiencing difficulties and revenue losses resulting from the COVID-19 pandemic. If PPP loan proceeds are used for qualifying costs - payroll; health insurance for paid sick, medical, or family leave; mortgage interest payments; rent; and utility payments - and 60% of the loan proceeds are used for payroll costs, then the federal government will forgive the loan. Unless Minnesota acts these forgivable loans will be taxed.

**PPP loans were provided  
TO OVER 100,000  
Minnesota businesses.**

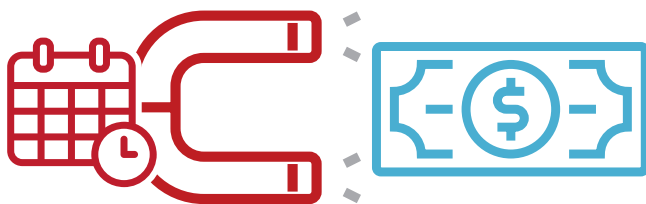


The federal stimulus bill passed in December 2020 made it clear that the forgiven PPP loans are not considered taxable income at the federal level and clarified that businesses are allowed to continue to deduct expenses paid with the proceeds of a PPP loan that is forgiven.

Minnesota does NOT automatically conform to federal tax law changes. State legislation is needed to ensure the forgivable loans are not taxed in Minnesota and the deductibility of those expenses is allowed.

## Unless Minnesota acts, these forgivable loans will be taxed Minnesota.

If the state does not conform to the federal law, it will impact many small and mid-sized businesses that are already struggling due to revenue losses resulting from restrictions imposed on their businesses to stop the spread of COVID-19.



**Early passage is important  
the 2020 tax filing season  
starts soon and the final tax  
payment is due April 15.**

Small business owners should not have an unexpected tax hit at the state level on the federal lifeline that was provided to them in order to retain their employees and keep their businesses operational.

## The Legislature must act

- Fully conform to federal PPP tax loan forgiveness.
- Allow deductibility of expenses on Minnesota income tax returns.

