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Legislature passes PPP tax protections

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The Legislature has overwhelmingly approved legislation that would match state law to more than two dozen federal tax codes, including a provision that would ensure businesses that took PPP loans aren't taxed on the expenses they covered with the federal money.

Wisconsin business groups say it will save small businesses $431 million.

The Assembly made several tweaks to the legislation. That includes excluding from income taxes state aid that was provided through federal money from COVID-19 relief legislation for broadband expansion, lodging industry grants, grants to small businesses and a farm support program.

Following a 87-3 vote by the Assembly, the bill was sent to the Senate and passed 27-5. It's now going to Gov. Tony Evers.

Dem Assembly members criticized the bill, saying it would give benefits disproportionately to businesses that profited most during the pandemic. They proposed an amendment that would allow businesses that made less than $250,000 per year to deduct the PPP loan expenditure from their state taxes. That would impact about 91 percent of businesses, said Tip McGuire, D-Kenosha. It didn't pass.

Rep. Mark Spreitzer, D-Beloit, slammed Wisconsin Manufacturers & Commerce for putting out misleading talking points and calling the PPP tax a "surprise tax."

WMC praised the legislation as it went through, arguing that it protects small businesses who received PPP loans from facing a costly and unexpected tax liability.

“Congress intended for PPP loans to be tax-free and for the expenses paid for with the loans to be deductible — this legislation keeps that promise,” said Cory Fish, WMC’s legal affairs director. “We strongly urge Gov. Evers to protect small businesses across our state from these surprise taxes and sign this bill into law.”

The Wisconsin Startup Coalition also applauded the bill’s passage and is urging Evers to pass the legislation immediately to prevent small businesses and startups from a “surprise” $431 million tax bill.