

Misty Chally: Wisconsin lawmakers may be the nail in the coffin for thousands of small businesses

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The coronavirus has devastated small businesses in Wisconsin. When the state shut down, many small business owners juggled how to address the health concerns of their customers and employees with their anxiety of planning how to pay for electricity, rent, water, payroll and more. Congress helped by enacting the Payroll Protection Program (PPP) and, as a result, many small businesses and franchisees did not close their doors. That lifeline is currently in danger if state lawmakers pass a proposal which require small business owners to pay taxes on items purchased with PPP funds they received to stay afloat.

More than 14,000 Wisconsin franchisees who received PPP loans used them primarily to pay for salaries, rent and other business-related expenses. However, because the law was initially unclear as to whether business expenses purchased with those loans would be fully deductible, Congress' end of the year relief bill explained that items purchased with PPP loans were fully deductible. This interpretation was of great relief to small business owners who could now reinvest that money into keeping their businesses open.

Unfortunately, the Wisconsin legislature has taken a different view. Wisconsin is a "static conformity" state, which does not automatically incorporate changes to federal tax law. This means that while franchisees in neighboring states are able to fully deduct the expenses on items purchased with PPP loans, Wisconsin small business owners are not. By prohibiting deductibility, the state is requiring these small business owners to pay hundreds of thousands of dollars that they would not have had to pay if they hadn't covered those expenses with PPP funds.

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As the pandemic continues, Wisconsin franchisees continue to lose income and employees. Some may have to lose their franchise. A recent survey found that one-in-four small business owners will close their doors if economic conditions don't improve. The same survey found that after using the PPP loan, 22% of borrowers have or anticipate having to lay off employees in the next six months, a slight increase from 19% a month ago.

Unlike the widely-recognized brand name on the door, most franchises are owned by franchisees who live in and employ those in the area - they do not have the deep pockets of their corporate franchisors and are solely responsible for surviving this crisis.

At a time of great uncertainty, it is paramount for Governor Evers and state lawmakers to stand behind small business owners who are the backbone of the economy. Forcing franchisees to pay taxes on business expenses purchased with PPP loans would further hurt struggling families and permanently close the doors of businesses Wisconsinites have enjoyed for decades.

— *Chally is executive director of the Coalition of Franchisee Associations.*