

Wisconsin Manufacturers & Commerce: Calls on lawmakers to protect small businesses from unexpected PPP Taxes

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MADISON - Wisconsin Manufacturers & Commerce (WMC) - the combined state chamber and manufacturers' association - encouraged lawmakers on Tuesday to vote in support of Assembly Bill 2 (AB 2), which contains language protecting small businesses who received forgivable Paycheck Protection Program (PPP) loans from millions of dollars in unexpected taxes.

Congress intended for the PPP loans to be tax-free, while also allowing expenses paid for with the loans to be deductible. Thanks to technical errors in drafting the federal program, the Wisconsin Department of Revenue (DOR) recently determined that any expenses funded through a PPP loan cannot be deductible - resulting in a surprise tax on small businesses of \$430 million.

Lawmakers have amended AB2 to include language that ensures business expenses paid for with revenue from a PPP loan would in fact be deductible - fulfilling the promise made by Congress.

"From the very beginning, the intent was for these loans to be tax-free," said WMC General Counsel and Director of Tax, Transportation & Legal Affairs Cory Fish. "WMC and our members urge legislators to vote in favor on AB 2, which will protect thousands of small businesses from costly and unexpected tax bills."

On Tuesday, WMC released an episode of Wisconsin Business Voice highlighting the shocking impact if lawmakers do not adopt AB 2 as amended. Mike Covelli - general manager of Northern Lakes Cooperative in Hayward - explains that a PPP loan helped cover payroll for their 54 employees for roughly two months last Spring. Unfortunately, without a legislative fix, the small company could face an additional tax bill in excess of \$30,000.

“This comes as a shock and a surprise,” Covelli said in the video. “We are not in a position to say, ‘let’s tax these loans and let’s cough up another \$30,000.’ Things are hard enough as it is.”

WMC expects the Assembly and Senate to vote on AB 2 on Tuesday. If passed, WMC encourages Gov. Tony Evers to quickly sign it into law.

[Click here to watch the latest episode of Wisconsin Business Voice.](#)