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Representative Krug Votes to Protect Businesses, Keep People Employed

Representative Scott Krug (R-Rome) voted to ensure that businesses in Wisconsin will not face a \$431 million state tax for accepting a forgivable Paycheck Protection Program (PPP) loan. These loans were part of the federal CARES Act legislation passed last year to help businesses stay open and keep people working during the government restrictions due to COVID-19.

“For nearly a year, Wisconsin businesses have had to work harder than ever to make ends meet and now is not the time to burden them with unexpected taxes,” Representative Krug said. “The PPP loans were established to save jobs and livelihoods.”

There were two rounds of federal PPP loans. Initially, the IRS determined that since the loans were not taxed as income, payments made using those funds were not tax deductible. The second round of PPP loans were considered income under state level and deductions for business expenses were allowed. Congress then approved the Consolidated Appropriations Act of 2021, which allowed loan recipients for both rounds of PPP loans to exclude the loan amount from their taxable incomes and permitted businesses to deduct qualified expenses. The legislation approved in the Assembly mirrors the changes at the federal level in order to align Wisconsin with federal law and simplify the tax code.

“Allowing businesses to deduct expenditures made with PPP funds could mean the difference between staying open or closing down,” Representative Krug said. “This law will put our communities in a strong position as we continue to move forward.”

The tax change for businesses was part of a larger package of initiatives to modernize the state tax code and Department of Revenue operations. The legislation is expected to pass in the Senate and head to the governor’s desk for his approval.

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