

THE TCA POST

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Remember, you heard it here first!

COMPANY NEWS

Here at Petrucelli, Piotrowski & Co., Inc. we have worked hard to accommodate all of our clients' needs during this pandemic. We have officially gone virtual and offer meetings via Zoom, Skype, and conference meetings via Cisco-Webex. We are always here for our clients!



FORENSIC + TAXATION + ADVISORY CPA'S

HOW WILL THE CARES ACT AFFECT YOU?

As of May 2020, clients have begun receiving their Economic impact (stimulus) payments that are the result of the Corona Virus Aid, Relief and Economic Security (CARES) Act. In addition to the individual relief brought forth through the CARES act, small businesses were offered relief through the US Small Business Administration. The EIDL (Economic Injury Disaster Loan) & the PPP (Paycheck Protection Program) were two avenues that businesses could pursue to help navigate through this unprecedented time. The EIDL has 2 parts, a forgivable advance of up to \$10,000, calculated at \$1,000 per employee, and a \$2 million long-term interest-bearing loan (up to 30 years). The two components of this relief are distinct in that the advance is forgivable and would be received by applicants regardless of whether the loan was approved. The other option, the PPP Loan, has no advance component but is 100% forgivable if 75% of loan proceeds were used to cover payroll expenses.

As of Friday, May 1st, the Internal Revenue service issued Notice 2020-32 providing guidance regarding the deductibility, for Federal income tax purposes, of certain otherwise deductible expenses incurred in a taxpayer's trade or business when the taxpayer receives a loan (covered loan) pursuant to the Paycheck Protection Program. In general, section 162 of the Internal Revenue Code provides for "a deduction for all ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business". However, section 265(a)(1) of the Code and §1.265-1 of the Income Tax Regulations provide that "no deduction is allowed to a taxpayer for any amount otherwise allowable as a deduction to such taxpayer that is allocable to one or more classes of income other than interest wholly exempt from the taxes imposed by subtitle A of the Code". Also, Accordingly, section 265(a)(1) of the Code disallows any otherwise allowable deduction under any provision of the Code, including sections 162 and 163, for the amount of any payment of an eligible section 1106 expense to the extent of the resulting covered loan forgiveness (up to the aggregate amount forgiven) because such payment is allocable to tax-exempt income.

So, what does this all mean? In lay terms, when proceeds received through the PPP program are forgiven, they will effectively become income to the beneficiary of the program, so that they offset normally deductible Section 162 expenses. Consistent with the purpose of section 265, this treatment prevents a double tax benefit. Business owners should consult their accountant or tax preparer and will need to pay special attention, if participating in PPP, that they accurately record and report relief received so as to not violate the IRC section 265.

We of Petrucelli, Piotrowski and Co., Inc. are always available to assist our clients with tax planning, which includes estimating your tax liability and preparing to pay it." – Written by Dylan Stone, MBA

I have used this company for many years and I have nothing bad to say about them. I have also recommended them to my family and they have been using them for years. I have nothing but good things to say about this place it is a very well-run organization and they do the best they can for you.

-Kenny Miller, Facebook Review



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