

July 1, 2020

The Honorable Mitch McConnell
Senate Majority Leader
U.S. Senate
Washington, DC 20510

The Honorable Chuck Schumer
Senate Minority Leader
U.S. Senate
Washington, DC 20510

Dear Majority Leader McConnell and Minority Leader Schumer:

The undersigned organizations strongly support the bipartisan *Small Business Expense Protection Act* (S. 3612), which will ensure that small businesses can deduct eligible expenses paid with a forgiven Paycheck Protection Program (PPP) loan from their taxes. Without this relief, millions of small businesses will face significant tax liabilities at a time when they can least afford additional financial burdens.

When Congress approved the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, the PPP was designed to help small businesses survive major liquidity shortfalls, retain employees, and withstand an unprecedented economic disruption due to the COVID-19 pandemic. However, the Internal Revenue Service's (IRS) Notice 2020-32 undermines the PPP and creates a severe challenge for small businesses by stating that normally deductible business expenses will not be deductible if the business pays the expense with a PPP loan that is subsequently forgiven. Congressional intent was clear within Section 1106(i) of the CARES Act, which states:

(i) TAXABILITY.— For purposes of the Internal Revenue Code of 1986, any amount which (but for this subsection) would be includible in gross income of the eligible recipient by reason of forgiveness described in subsection (b) shall be excluded from gross income.

The *Small Business Expense Protection Act* will fix this misinterpretation and reestablish the ability of small businesses that have received PPP loans to deduct business expenses as the CARES Act intends. We thank Congressional leaders for their ongoing efforts and urge swift passage of this bipartisan legislation.

Sincerely,

Academy of General Dentistry
Agriculture Retailers Association
Air Conditioning Contractors of America
American Bakers Association
American Council of Engineering Companies
American Dental Association
American Farm Bureau Federation
American Foundry Society
American Horse Council

American Hotel & Lodging Association
American Mold Builders Association
American Road & Transportation Builders Association
American Seed Trade Association
American Sheep Industry Association
American Society of Travel Advisors (ASTA)
American Subcontractors Association
American Subcontractors Association
American Supply Association
American Veterinary Medical Association
Associated Builders and Contractors
Associated General Contractors of America
Association of Plastics Distributors
Association of the Wall and Ceiling Industry
Auto Care Association
California Association of Winegrape Growers
CCIM Institute
Coalition of Franchisee Associations
CoBank
Eastern States Hospitality Coalition
Energy Equipment & Infrastructure Alliance
Farm Credit Council
Financial Executives International
Foodservice Equipment Distributors Association
Franchise Business Services
Heating, Air-conditioning, & Refrigeration Distributors International
Idaho Dairymen's Association
Independent Office Products & Furniture Dealers Alliance
Industrial Fasteners Institute
Institute of Real Estate Management
International Association of Plastics Distribution
International Council of Shopping Centers
International Foodservice Distributors Association
International Franchise Association
Irrigation Association
Job Creators Network
Live Events Coalition
Livestock Marketing Association
Material Handling Equipment Distributors Association
NACS
National Association of Electrical Distributors
National Association of Professional Insurance Agents
National Association of REALTORS
National Association of Theatre Owners
National Association of Wholesaler-Distributors
National Beer Wholesalers Association

National Cattlemen's Beef Association
National Community Pharmacists Association
National Cotton Council
National Council of Farmer Cooperatives
National Electrical Contractors Association
National Fastener Distributors Association
National Federation of Independent Business
National Franchisee Association
National Grange
National Insulation Association
National Marine Distributors Association
National Mining Association
National Multifamily Housing Council
National Office Products Alliance
National Onion Association
National Ready Mixed Concrete Association
National Restaurant Association
National Retail Federation
National Roofing Contractors Association
National RV Dealers Association
National Small Business Association
National Tool and Machining Association
National Waste & Recycling Association
NECA // National Electrical Contractors Association
North American Association of Food Equipment Manufacturers
North American Die Casting Association
North American Renderers Association
Office Furniture Dealers Alliance
Out of Home Advertising Association of America
Outdoor Amusement Business Association
Outdoor Power Equipment and Engine Service Association
Pet Industry Distributors Association
Petroleum Equipment Institute
Plumbing-Heating-Cooling Contractors—National Association
Policy and Taxation Group
Polyisocyanurate Insulation Manufacturers Association
Precision Machined Products Association
Precision Metalforming Association
PRINTING United Alliance
REALTORS Land Institute
Retail Bakers of America
Roof Coatings Manufacturers Association (RCMA)
S Corporation Association
Security Hardware Distributors Association
Small Business & Entrepreneurship Council
Society of American Florists

Society of Industrial and Office REALTORS
South East Dairy Farmers Association
Southeastern Lumber Manufacturers Association
SPRI
The Association for Hose and Accessories Distribution
The Design-Build Institute of America
Tire Industry Association
Truck Renting and Leasing Association
U.S. Apple Association
U.S. Chamber of Commerce
U.S. Rice Producers Association
U.S. Sweet Potato Council
United Egg Producers
United Fresh Produce Association
USA Rice
Virginia Small Business Partnership
Warehouse Logistics Association
Western Growers
Wholesale Florist and Florist Supplier Association
Wine & Spirits Wholesalers of America

CC: The Honorable Charles Grassley
The Honorable Ron Wyden
The Honorable Richard E. Neal
The Honorable Kevin Brady