

IRS Acknowledges Congressional Reversal on Deducting Eligible PPP Expenses

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In a [previous alert](#) we reported that the [Consolidated Appropriations Act, 2021](#), which contains The COVID-related Tax Relief Act of 2020, specifically provides that “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income” of a PPP loan. Today, the Internal Revenue Service issued [Revenue Ruling 2021-2](#), which reflects this change in the law. Revenue Ruling 2021-2 obsoletes [IRS Notice 2020-32](#) and [Revenue Ruling 2020-27](#), which disallowed deductions for the payment of eligible expenses when the payments resulted (or could be expected to result) in forgiveness of a covered loan.

As always, if you have questions regarding this or other tax matters, please contact one of the authors or any member of McGlinchey’s [Tax](#) team.

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