

## **TAX AND WEALTH ADVISOR ALERT: BREAKING NEWS-IRS SAYS EXPENSES PAID WITH FORGIVEN PPP LOANS ARE DEDUCTIBLE**

Businesses can now deduct expenses paid for with the proceeds of a forgiven Paycheck Protection Program (PPP) loan. The IRS, in [Revenue Ruling 2021-2](#) issued today, reversed its original position that prohibited businesses with PPP loans from “double-dipping” by paying expenses with a forgivable loan, then writing off those expenses. Congress, in the latest COVID-19 relief bill, as we explained further [here](#), explicitly stated that such expenses were deductible, forcing the IRS to reverse course.

This ruling is sure to provide a significant tax benefit and relief for many small business owners who had availed themselves of the PPP program and found themselves saddled with unexpected tax liabilities as a result of the IRS’s original position.

O’Neil, Cannon, Hollman, DeJong and Laing remains open and will continue to monitor federal and state law tax changes. For questions or further information relating to taxation under the CARES Act and the new relief bill, please contact Attorney [Britany E. Morrison](#).