

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