



April 27th, 2021

House Committee on Ways and Means  
Vermont State House  
115 State Street  
Montpelier, VT 05633-5301

Chair Ancel and Members of the House Committee on Ways and Means;

Main Street Alliance of Vermont and Vermont Businesses for Social Responsibility are deeply appreciative of all the work your committee has done to help Vermonters recover from the devastating economic impacts of COVID-19.

We are writing today on behalf of our combined membership, which represents more than 1200 businesses and organizations throughout Vermont, to express our concern over the recent measure the legislature passed to tax businesses' forgiven PPP loans for tax year 2021.

When faced with the fear and devastation of a global pandemic, our businesses took quick action to keep their employees and their communities safe. Many closed their doors or severely limited capacity, while others quickly pivoted in response to the crisis, repurposing their resources to meet critical needs, including the supply and distribution of food and PPE. They watched as their livelihoods disintegrated right before their eyes. When some relief finally came in the form of PPP loans, they accepted this help gratefully, and worked through the required and evolving process with lenders and the SBA to first secure these loans and then to secure loan forgiveness.

The intent of the PPP program created under the CARES act was to offer non-taxable relief. By not conforming to federal treatment of the forgiven loans, Vermont would suddenly negate the purpose of the PPP program. Businesses accepted this help with the understanding that the tax year 2021 forgiven loans would be non-taxable, which is how the tax year 2020 forgiven loans were treated. Additionally, in 2021, substantive work was done to provide support to women and BIPOC-owned businesses as well as sole-proprietors. To change the rules for 2021 will create inequitable impacts for these business owners who may have only gained access to this program in 2021. Other relief aid, including Vermont Economic Recovery Grants, made it clear upon application that the income would be taxed, and businesses understood that and agreed to those terms. But that was not the understanding or agreement for PPP forgiven loans. To come back now and tax these forgiven loans would create an unexpected, completely avoidable economic burden for already suffering businesses to shoulder.

Furthermore, the nature of the PPP program meant that to have these loans converted into grants, businesses would be required to spend 75% (later changed to 60%) on payroll. These dollars can't be accessed in order to pay an unexpected tax. And the state has already collected payroll and personal income tax on the forgiven portion of these PPP loans that went toward payroll.

The road to recovery for these businesses has barely begun. Even with broader reopening on the horizon, we are years away from a full rebound from the economic impact of COVID-19. Vermonters' spending habits have changed, and many people will be too anxious - whether out of financial or health concerns - to frequent their favorite local businesses with any regularity anytime soon. If we want Vermont businesses to still be here when we get to the other side of this pandemic, we will need to offer them our help, not an unexpected tax bill. Our businesses are Vermont. They are our neighbors, our families and our friends. They are also the lifeblood of our communities, providing critical goods and services, local jobs and public good. They were some of the first to step up and take action, many before mandates asked them to do so, to keep our communities safe. They did this at the expense of their livelihoods. And somehow, through sheer determination, they made it through. And now they are imploring you to keep up your end of the bargain and to give federal treatment to the relief money they gratefully accepted. They cannot afford this unexpected tax.

Thank you for all of your tireless work over the last year to channel support to Vermont businesses and families impacted by the ongoing COVID-19 pandemic. The work of this Committee and that of the legislature writ large has helped to keep us healthy and whole throughout this crisis. To that end, Main Street Alliance and Vermont Businesses for Social Responsibility appreciate your attention to this matter.

Sincerely,

Roxanne Vought, Executive Director, Vermont Businesses for Social Responsibility

Morgan Nichols, State Director, Main Street Alliance of Vermont