From: Greg Brand <greg@bluehousegroup.com>
Sent: Monday, April 12, 2021 7:49 PM
To: Faith Brown <FBrown@leg.state.vt.us>
Subject: [External] Proposed legislation to tax PPP grants

[External]

Hi Faith-
I own a small business that employs ten people. We are still operating, despite major impact from the pandemic, thanks to the Federal Government's PPP program. I was dismayed to learn today that the Legislature is considering taxing businesses like mine as if PPP relief funding was ordinary income. There is nothing ordinary about running a business in the US during this pandemic. When I read a summary of "talking points" from the LCC, I felt like they did a good job of presenting the rationale for NOT taxing these grants. I'm sure you've read this before, but I agree with all of these points. The State government has benefited greatly from the PPP program. Businesses have navigated huge uncertainty throughout the pandemic. Having the Legislature announce a new tax at this late date is painful and injurious, to say the least. I agree with the following rationale for not taxing PPP grants.

- **Taxing PPP loans would negate the purpose of the program**. When PPP was first created under the CARES Act, the legislative intention was that these loans would be non-taxable. Congress saw this as so important to the program's desired impact that they took the extraordinary step of reaffirming this in the subsequent Consolidated Appropriations Act.
- **Without PPP, the unemployment rates would have been much higher, more businesses would have closed their doors, and the economic fallout would have been more severe.** As our state's unemployment system was strained and crashing, PPP created a parallel unemployment system to spread the load, with many employers simply using PPP funds to pay their employees to "stay home, stay safe." There is a trauma to losing one's job, even with UI, PPP kept this trauma from occurring by keeping employees on the employer's payroll. Furthermore, personal income tax revenue to the state was not decreased due to these loans.
- **To tax these loans, which were always presented as a tax-free lifeline, would penalize employers who did the right thing and now do not have the funds.** If these loans were to be taxable suddenly, most employers would be met with a surprise tax bill they have no way to pay after a year of being closed through no fault of their own. To have the loan forgiven, implies that the employer spent the loan in its entirety on payroll and eligible expenses, leaving them with nothing to show.
- **Retroactively changing the circumstances around the assistance will be unfair, inequitable, and create turmoil.** The money to pay tax on these loans is not there as most employers have done what the program told them to do – spend the money right away. Given the state is conforming to federal treatment in TY 2020, those least served by the program and who only gained access in 2021 will receive inequitable treatment. An unforeseen tax bill will prolong the economic impact of the pandemic. Many of the businesses that were late to access this program have been the hardest hit by the pandemic and the least served by the program in its earlier iterations. Finally, businesses had no control over when their loan is ultimately forgiven, as procedural hurdles prevented rapid forgiveness, dragging them into 2021.
- **There is no double benefit.** For example, if an employer has $100,000 of a PPP loan forgiven, they can and should deduct those expenses. Taxing what otherwise would have been deductible

means that the employer is in a worse place than if they had laid off employees and sent them to the UI system. Furthermore, the state *already* collected revenue from PPP loans in the form of payroll taxes

Please pass this information along to the relevant members of the Legislature.

Thank you,
Greg Brand

Websites that work

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