[Your Name]

[Title]

[Company]

[Street Address]

[City, State, ZIP]

[Date]

[Senator or Representative Name]

[Street Address]

[City, State, ZIP]

RE: IRS Notices 2020-32 and 2020-27

Dear [Senator XX] OR [Representative XX],

I am writing to express my concern regarding the guidance that the U.S. Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) have issued to frustrate the implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. I believe the position taken by the Treasury and IRS is contrary to congressional intent.

Notice 2020-32 provides that otherwise deductible business expenses are not deductible if the taxpayer is the recipient of a Paycheck Protection Program (PPP) loan that is subsequently forgiven. I believe the position taken in the Notice ignores Congress’s overarching intent of the PPP, as well as the specific intent of Congress, to allow deductions in the case of PPP loan recipients.

Congress designed the PPP to provide critical relief to America’s small businesses that are continuing to experience unprecedented economic disruption. The loan was intended to provide a lifeline to allow these businesses to pay rent, keep employees on the payroll, and resume regular operations when it is safe to do so. Section 1106(i) of the CARES Act provides that a PPP loan recipient will not recognize taxable income if the loan is forgiven, effectively making the loan a tax-free grant. Additionally, as was expressed to the Treasury during the development of the PPP, Congress did not intend to deny the deductibility of ordinary and necessary business expenses. As a result, when applying for PPP loans, small businesses were of the impression that they would not lose such deductions. The IRS and Treasury’s attempt to undo Congress’s intent is unfair to America and challenges our system of government.

Providing assistance to small businesses, only to disallow their business deductions as provided in Notice 2020-32, reverses the benefit that Congress specifically granted by exempting PPP loan forgiveness from income. Recently, the IRS issued Revenue Ruling 2020-27, further defying Congress’s intent to make this vital support for American small businesses tax free.

As a small business owner, the PPP was a crucial in helping keep my business afloat and employees paid. When I applied for the loan, it was with the understanding, as stated by Congress, that the loan would not be taxable. My budgetary decisions regarding distribution of the loan funds did not account for using up to 40% to pay taxes on those costs that would otherwise be deductible. It is patently unfair to change the rules after the funds have been spent. The Treasury and IRS are charged with abating the laws established by Congress. The position that they are taking effectively makes them lawmakers, defying the wishes of the country’s legitimate lawmakers and leaders.

We have not recovered from this pandemic and now is not the time to add unexpected taxes to the businesses in this country that feed, house, and clothe the American people. A business owner should not have to make choices about whether to pay their taxes or reduce their staff.

I urge you to reassert Congress’s lawmaking authority and avoid undue hardship for the constituents you serve. Make it clear to the Treasury and IRS that their job is to administer laws, not make them. Perhaps this is also a good time to remind them who they serve.

Thank you for your attention to this matter and your service.

Sincerely,

[Your Name]