

# TAX CONFORMITY (SB 1146 & HB 1935)

## SUPPORT \$100,000 Deduction Cap

### **Background:**

Each year the General Assembly decides which federal tax provisions the Commonwealth will conform to, so Virginians know which provisions apply when filing their state income tax returns.

Because of the pandemic, Congress passed numerous federal tax changes in the CARES Act and Consolidated Appropriations Act to provide immediate relief to struggling employers.

Specifically, two tax provisions were provided to PPP loan recipients 1) forgiven loans would not be taxable and 2) business expenses paid with those loan proceeds could be deducted.

Virginia must decide whether to provide both provisions. Currently both bills include the income exclusion provision. Now the question is what to include regarding deductibility.

### **Reasons to Support:**

- Provides full deductibility to almost 80% of Virginia Businesses who received a PPP loan.
- Treats *Rebuild Virginia* loan recipients in same manner.
- Gives immediate and meaningful relief to struggling employers.
- Full conformity to all business provisions in CARES & CAA Acts would have cost approximately \$1 billion – this proposal is a fraction of that at \$100 million.
- Ensures a timely and less confusing tax filing process.
- The PPP program was critical to allowing many small businesses to stay in business and avoid layoffs.
- Without PPP funding Virginia would not only have been unable to collect payroll and withholding taxes for many employees, there also would've been greater job loss and the need to pay out additional unemployment benefits.
- Many small businesses who took out this loan will still show significant revenue losses. The availability of deducting their business expenses will ensure they do not have to pay more in state taxes.

*The organizations listed below support the proposal to exclude a forgiven loan from income AND provide up to a \$100,000 deduction for PPP & Rebuild Virginia recipients.*



***Please provide immediate and meaningful relief for Virginia's employers by supporting tax conformity legislation that includes expense deductibility of \$100,000 for PPP and Rebuild Virginia recipients.***