

As you may know, the Virginia General Assembly has been debating its annual tax conformity legislation this legislative session. As a refresher, the General Assembly passes legislation annually to conform Virginia's tax code to the IRS. This allows for less confusion when it comes time to file your taxes.

At issue this year is how Virginia will tax businesses that received and spent Paycheck Protection Program (PPP) funds according to federal guidelines. Funds received in the PPP program are tax deductible (federally) if a business uses those funds on eligible expenses. However, if Virginia were to allow total deductibility at the state level, it is estimated that there would be close to a \$1 billion dollar hole in the state budget.

As such, the House and Senate are working on a compromise that would allow some tax deduction of PPP loans while minimizing the hit to the state budget. The House approach under HB 1935 currently allows for tax deductibility up to \$25,000, while the Senate approach under SB 1146 bumps that threshold up to \$100,000.

It goes without saying that the \$100,000 threshold as requested by the Senate is more generous and would help a far greater number of businesses, especially small ones. The average amount of PPP loans received by Virginia businesses is around \$107,000, so we are fighting for that higher threshold.

Please send a message to our regional delegation to the General Assembly to ask for support of our small businesses and allowing up to \$100,000 in tax deductibility for PPP loans.