

# Save small businesses by conforming to federal tax treatment on PPP loan forgiveness

The federal CARES Act established the Paycheck Protection Program (PPP) for small businesses experiencing difficulties and revenue losses resulting from the COVID-19 pandemic. If PPP loan proceeds are used for qualifying costs - payroll; health insurance for paid sick, medical, or family leave; mortgage interest payments; rent; and utility payments - and 60% of the loan proceeds are used for payroll costs, then the federal government will forgive the loan. Unless Minnesota acts these forgivable loans will be taxed.

**PPP loans were provided  
TO OVER 100,000  
Minnesota businesses.**

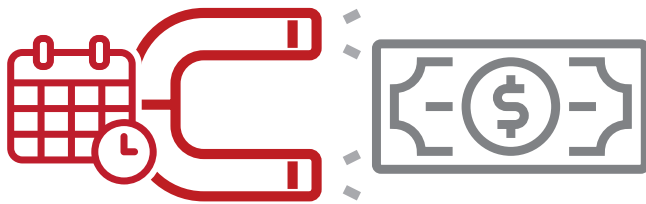


The federal stimulus bill passed in December 2020 made it clear that the forgiven PPP loans are not considered taxable income at the federal level and clarified that businesses are allowed to continue to deduct expenses paid with the proceeds of a PPP loan that is forgiven.

Minnesota does **NOT** automatically conform to federal tax law changes. State legislation is needed to ensure the forgivable loans are not taxed in Minnesota and the deductibility of those expenses is allowed.

## Unless Minnesota acts, these forgivable loans will be taxed Minnesota.

If the state does not conform to the federal law, it will impact many small businesses that are already struggling due to revenue losses resulting from restrictions imposed on their businesses to stop the spread of COVID-19.



**Early passage is  
important the 2020 tax  
filing season starts soon  
with payments due March 15  
for many business filers.**

Small business owners should not have an unexpected tax hit at the state level on the federal lifeline that was provided to them in order to retain their employees and keep their businesses operational.

## The Legislature must act

- Fully conform to federal PPP tax loan forgiveness and allow deductibility of expenses on Minnesota income tax returns.



Albert Lea-Freeborn County Chamber of Commerce	Lakeville Area Chamber of Commerce and CVB
Alexandria Lakes Area Chamber of Commerce	Laurentian Chamber of Commerce
Apple Valley Chamber of Commerce	Litchfield Area Chamber of Commerce
Austin Area Chamber of Commerce	Marshall Area Chamber of Commerce
Bemidji Area Chamber of Commerce	MetroNorth Chamber of Commerce
Brainerd Lakes Chamber of Commerce	New Ulm Area Chamber of Commerce
Burnsville Chamber of Commerce	Northfield Area Chamber of Commerce
Cloquet Area Chamber of Commerce	Owatonna Area Chamber of Commerce and Tourism
Cuyuna Lakes Chamber of Commerce	Pipestone Area Chamber of Commerce
Dakota County Regional Chamber of Commerce	River Heights Chamber of Commerce
Duluth Area Chamber of Commerce	Rochester Area Chamber of Commerce
The Chamber of Grand Forks and East Grand Forks	St. Cloud Area Chamber of Commerce
Eden Prairie Chamber of Commerce	Shakopee Chamber and Visitors Bureau
Elk River Area Chamber of Commerce	SouthWest Metro Chamber of Commerce
Faribault Area Chamber of Commerce and Tourism	Twin Cities North Chamber of Commerce
Fergus Falls Area Chamber of Commerce	Waconia Chamber of Commerce
Grand Rapids Area Chamber of Commerce	Waseca Area Chamber of Commerce
Greater Stillwater Chamber of Commerce	White Bear Area Chamber of Commerce
Hastings Area Chamber of Commerce and Tourism Bureau	Willmar Lakes Area Chamber of Commerce
Hibbing Area Chamber of Commerce	Winona Area Chamber of Commerce
Hutchinson Chamber of Commerce	Woodbury Area Chamber of Commerce
International Falls Area Chamber of Commerce	Worthington Area Chamber of Commerce

F E D E R A T I O N

**MINNESOTA CHAMBER OF COMMERCE**

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