

January 15, 2021

The Honorable Karen Spilka, President
Massachusetts Senate
Massachusetts State House, Room 332
24 Beacon Street
Boston, MA 02133

Dear President Spilka,

On behalf of the over 11,000 members of the Massachusetts Society of Certified Public Accountants, thank you for your continued leadership through these turbulent times. As you are aware, Governor Baker recently submitted **HD.190**, *An Act financing a program for improvements to the Unemployment Insurance Trust Fund and relief to employers in the Commonwealth*. I write in strong support of swift action to the Governor’s proposal and to urge you to consider amending the legislation to include language that would allow for critical financial relief to small businesses that utilized Paycheck Protection Program (PPP) loans.

Section 1106 of Public Law No. 116-136, the federal “Coronavirus Aid, Relief and Economic Security (CARES) Act,” provides loan forgiveness to small businesses for certain loans made pursuant to the PPP under the Small Business Act. Under the Act, any amount of cancelled debt associated with the PPP loan that would otherwise be includable in the gross income of the borrower under the Internal Revenue Code (IRC) for federal income tax purposes is **excluded** from gross income.

However, because, for personal income tax purposes, Massachusetts adopts the IRC of personal income tax as amended and in effect on January 1, 2005, a borrower subject to Massachusetts personal income tax, any amount forgiven under § 1106 of the Act is **includable** in gross income and subject to tax¹.

We have heard from our members that because the inclusion of income associated with forgiven PPP loans is includable income and subject to tax, many small businesses such as restaurants, small retail shops, professional service firms and others that are incorporated as pass-through entities (S corporations, partnerships and sole proprietorships), will be subject to that tax. Conversely, corporations will not be subject to this tax because of Massachusetts’ conformity to the federal code.

It is without question that in the last legislative session, and particularly over the last ten months, the Legislature enacted critically important legislation through which all Massachusetts residents will benefit. We are positive that this important work will continue in the early days of this new session and are hopeful that further relief for our small businesses will continue.

¹ Mass. Department of Revenue, Technical Information Release 20-9: Massachusetts Tax Implications of Selected Provisions of the Federal CARES Act

Section 51 of **Senate Bill 2874**, *An Act enabling partnerships for growth*, which was proposed last session, included changes to the Massachusetts personal income tax law that would conform Massachusetts to the IRC for the forgiveness provisions outlined in Section 1106 of Public Law No. 116-136. While we are advocating for a standalone bill to be filed, we are cognizant that it is necessary for this language to be enacted before the fast-approaching April 15 individual income tax filing deadline to ensure that relief is provided to the thousands of struggling small businesses across the Commonwealth. We believe that including such language to fast-moving legislation would address these critical concerns and provide such relief to these businesses in adequate time before this year's tax season.

Therefore, I respectfully request your consideration of amending the Governor's unemployment relief legislation to include language to allow for this critical financial relief to small businesses that utilized Paycheck Protection Program (PPP) loans.

Please do not hesitate to contact me if I can provide additional information.

Thank you for your consideration and for your steady leadership through these times.

Sincerely,

A handwritten signature in cursive script that reads "Amy A. Pitter".

Amy Pitter
President & CEO