

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1052 (Delegate Buckel)
Ways and Means

**Income Tax – Subtraction Modification – Trade or Business Expenses Resulting
in Federal Loan Forgiveness**

This bill creates a subtraction modification against the personal and corporate income tax for ordinary and necessary expenses paid or incurred if the payment of the expense results in forgiveness of a loan from the Paycheck Protection Program (PPP) under the provisions of the federal Coronavirus Aid, Relief, and Economic Security Act, unless those expenses are otherwise excluded for federal tax purposes. **The bill takes effect July 1, 2021, and applies to tax year 2020 and 2021.**

Fiscal Summary

State Effect: None. Business entities can already deduct these expenses for federal and State income tax purposes; therefore, State revenues will not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The federal Consolidated Appropriations Act, enacted on December 27, 2020, clarified that qualified expenses paid with PPP loan proceeds that are forgiven are fully deductible. The State conforms to the federal tax treatment of these expenses, the amounts deducted under the federal income tax are also generally deductible under the State income tax and corporate income tax.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; U.S. Joint Committee on Taxation;
Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2021

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