



LARRY HOGAN  
GOVERNOR

STATE OF MARYLAND  
OFFICE OF THE GOVERNOR

October 23, 2020

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Charles Schumer  
Democratic Leader  
United States Senate  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
Washington, DC 20515

Dear Leader McConnell, Speaker Pelosi, Leader Schumer, and Leader McCarthy:

I write today in support of S.3612, the Small Business Expense Protection Act, which would allow the deduction of business expenses for small business recipients of Paycheck Protection Program (PPP) loans. This bipartisan legislation would provide critical relief for small businesses struggling to stay afloat during the COVID-19 pandemic, and I urge you to pass it before the end of the year.

When Congress passed the CARES Act and created the PPP, it intended for loan forgiveness under the program to be tax-free. However, Internal Revenue Service (IRS) guidance denies small business borrowers the ability to deduct the same expenses that qualified them for loan forgiveness. Most small businesses in Maryland are pass-throughs and therefore taxed at the owners' individual tax rates, which could be as high as 37%. Without a legislative fix allowing borrowers to write off expenses paid out of PPP proceeds, these businesses are likely to face significant cash flow problems that will threaten their recovery and set back the progress we have made reopening the economy.

Now that the SBA has started approving PPP loan forgiveness applications, it is critical that Congress take action to ensure that the necessary tax treatment fixes are included in the next relief package. Our struggling small businesses deserve the full measure of assistance intended under the CARES Act as they work to recover from this pandemic.



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Sincerely,

  
Larry Hogan  
Governor

CC: Maryland Congressional Delegation