



# TaxNewsFlash

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## Rev. Proc. 2020-51: Safe harbor for claiming deductions by taxpayers that received PPP loans (COVID-19)

The IRS last evening released an advance version of Rev. Proc. 2020-51 that provides a safe harbor allowing a taxpayer to claim a deduction in the taxpayer's tax year beginning or ending in 2020 (the 2020 tax year) for certain otherwise deductible eligible expenses if:

- The eligible expenses are paid or incurred during the taxpayer's 2020 tax year;
- The taxpayer received a loan guaranteed under the Paycheck Protection Program (PPP)\* that, at the end of the taxpayer's 2020 tax year, the taxpayer expects to be forgiven in a tax year after the 2020 tax year; and
- In a subsequent tax year, the taxpayer's request for forgiveness of the PPP loan is denied (either in whole or in part), or the taxpayer decides never to request forgiveness of the PPP loan.

**Rev. Proc. 2020-51** [PDF 115 KB] provides that such a taxpayer may be able to deduct some or all of the eligible expenses on: (1) the taxpayer's timely filed (including extensions) original income tax return or information return for the 2020 tax year; (2) an amended return or an administrative adjustment request (AAR) under section 6227 for the 2020 tax year; or (3) the taxpayer's timely filed (including extensions) original income tax return or information return for the subsequent tax year.

\*The PPP is a program intended to provide nearly \$660 billion to support lending to both small and medium-sized businesses enacted by the "Coronavirus Aid, Relief, and Economic Security Act" (CARES Act) (Pub. L. No. 116-136).

Rev. Proc. 2020-51 defines taxpayers that are eligible for the safe harbor and sets forth the safe harbor procedures, including that the taxpayer may not apply the safe harbor procedures to deduct any amount of non-deducted eligible expenses unless the taxpayer attaches a statement to the return on which the taxpayer deducts non-deducted eligible expenses. The statement must be titled "Revenue Procedure 2020-51 Statement," and Rev. Proc. 2020-51 lists the information that must be included on the statement.

The purpose of this report is to provide text of the revenue procedure.

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