



TaxNewsFlash

United States



No. 2020-709
November 19, 2020

Rev. Rul. 2020-27: No deduction of eligible expenses for 2020 if reasonable expectation of PPP loan forgiveness (COVID-19)

The IRS last evening released an advance version of Rev. Rul. 2020-27 providing that a taxpayer computing taxable income on the basis of a calendar tax year may not deduct eligible expenses in its 2020 tax year if, at the end of the 2020 tax year, the taxpayer has a reasonable expectation of reimbursement for such expenses in the form of Paycheck Protection Program (PPP) loan forgiveness.

Read [Rev. Rul. 2020-27](#) [PDF 90 KB]

Rev. Rul. 2020-27 addresses factual situations of taxpayers that received a loan guaranteed under the PPP and paid or incurred certain otherwise deductible expenses, when, at the end of that tax year, the taxpayer reasonably expects to receive forgiveness of the covered PPP loan based on the otherwise deductible expenses.

The IRS ruled that a taxpayer that received a covered loan guaranteed under the PPP and paid or incurred certain otherwise deductible expenses listed in section 1106(b) of the CARES Act may not deduct those expenses in the tax year in which the expenses were paid or incurred if, at the end of that tax year, the taxpayer reasonably expects to receive forgiveness of the covered loan on the basis of the expenses it paid or accrued during the covered period, even if the taxpayer has not submitted an application for forgiveness of the covered loan by the end of that tax year.

Rev. Rul. 2020-27 amplifies [Notice 2020-32](#) [PDF 30 KB] which provided no deduction is allowed for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan pursuant to provisions of the CARES Act and the income associated with the forgiveness is excluded from gross income under the CARES Act.

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

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)