



TaxNewsFlash

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Rev. Procs. 2021-48, 2021-49, 2021-50: Tax treatment of PPP loan forgiveness; partnership allocations and stock basis adjustments

The IRS today released advance versions of three revenue procedures concerning the federal income tax treatment of Paycheck Protection Program (PPP) loan forgiveness (referred to as “tax-exempt income”) and amounts received under other coronavirus (COVID-19) pandemic-relief programs such as the Shuttered Venue Operator Grant program and Restaurant Revitalization Grant program.

- [Rev. Proc. 2021-48](#) [PDF 154 KB] addresses the timing of tax-exempt income arising from forgiven PPP loans.
- [Rev. Proc. 2021-49](#) [PDF 136 KB] provides guidance for partners and their partnerships regarding allocations under section 704(b) of certain amounts excluded from gross income; allocations under section 704(b) of deductions resulting from expenditures attributable to the use of certain PPP loan proceeds; and corresponding adjustments to partners’ bases in their partnership interests under section 705. Rev. Proc. 2021-49 also provides guidance under section 1502 and Reg. section 1.1502-32 regarding the corresponding basis adjustments for stock of subsidiary members of consolidated groups as a result of tax-exempt income resulting from forgiveness of PPP loans.
- [Rev. Proc. 2021-50](#) [PDF 143 KB] sets forth the process for eligible partnerships to file amended Forms 1065 and furnish amended Schedules K-1 on or before December 31, 2021, in adopting the guidance under Rev. Procs. 2021-48 and 2021-49 provided that certain requirements are met.

The purpose of this report is to provide text of the just-released revenue procedures.

Background

The PPP—a program providing financial support lending for small and large businesses pursuant to measures—was originally included in the “Coronavirus Aid, Relief, and Economic Security Act” (CARES Act) (Pub. L. No. 116-136).

Additional measures concerning the program were enacted under the “Consolidated Appropriations Act, 2021” (Pub. L. No. 116-260) (the “Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act” is one of the titles of the legislation enacted December 27, 2020). That legislation effectively opened up the availability for a “second draw” for PPP loans.

Subsequently, President Biden on March 11, 2021, signed into law the “American Rescue Plan Act of 2021” (Pub. L. No. 117-2).

The PPP was scheduled to expire March 31, 2021. President Biden on March 30, 2021, signed legislation (Pub. L. No. 117-6) that extended the PPP through June 30, 2021.

The Shuttered Venue Operator Grant (SVOG) program—like the PPP—was intended to provide relief to entities such as live venues and live performing arts organizations, museums, and theatres that have encountered financial challenges because of the COVID-19 pandemic. The SVOG program provided up to \$10 million in funding for certain eligible entities.

Rev. Proc. 2021-48

Rev. Proc. 2021-48 provides that taxpayers may treat amounts that are excluded from gross in connection with the forgiveness of PPP loans that are received or accrued:

- As eligible expenses are paid or incurred
- When an application for PPP loan forgiveness is filed, or
- When PPP loan forgiveness is granted

To the extent such tax-exempt income resulting from the forgiveness of a PPP loan is treated as gross receipts under a particular federal tax provision, Rev. Proc. 2021-48 applies for purposes of determining the timing and, to the extent relevant, the rules for reporting of such gross receipts.

Rev. Proc. 2021-48 is effective for any tax year in which a taxpayer paid or incurred eligible expenses, any tax year in which the taxpayer applied for forgiveness of a PPP loan, or any tax year in which the taxpayer’s PPP loan forgiveness is granted.

Rev. Proc. 2021-49

Rev. Proc. 2021-49 provides guidance for partnerships and consolidated groups regarding amounts excluded from gross income and deductions relating to the PPP and certain other COVID-19 relief programs—and specifically guidance for partners and their partnerships regarding allocations under section 704(b) and corresponding adjustments to be made with respect to the partners’ bases in their partnership interests under section 705.

Rev. Proc. 2021-49 also provides guidance under section 1502 and Reg. section 1.1502-32 regarding the corresponding basis adjustments for stock of subsidiary members of consolidated groups as a result of tax-exempt income arising from certain forgiven PPP loans, grant proceeds, or subsidized payment of certain principal, interest, and fees.

Rev. Proc. 2021-50

Rev. Proc. 2021-50 allows eligible partnerships to file amended partnership returns for tax years ending after March 27, 2020, using a Form 1065, *U.S. Return of Partnership Income*, with the "Amended Return" box checked, and to issue an amended Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.*, to each of its partners.

An eligible partnership may file an amended return under Rev. Proc. 2021-48 or Rev. Proc. 2021-49, if certain requirements of Rev. Proc. 2021-50 are met.

In order to take advantage of the option to amend provided in this revenue procedure, amended partnership returns must be filed, and corresponding Schedules K-1 must be furnished, on or before December 31, 2021.

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