Fix PPP Deduction Loophole

Dear Congress,

The Premium Cigar Association, representing 3,000+ retail tobacconists and 250+ manufacturers of premium cigars and pipe tobacco throughout the country, urge Congress to take swift action to fix the Paycheck Protection Program (PPP) loophole that will cost small businesses billions of dollars. It is essential that any future relief package include this technical correction to allow businesses that took loans from the PPP to deduct related expenses, such as payroll, from taxes. Being able to deduct wages and rent will boost retailers in a multitude of different industries, including premium tobacconists.

The recent Internal Revenue Services (IRS) notice just affirmed that if PPP loan is forgiven, the borrower is not eligible to take business deductions on expenses covered or paid for with funds from the forgiven loan. Furthermore, the IRS is contending that if a business plans to apply for forgiveness of the loan next year, they still cannot take the deduction now. If this issue is not fixed, many small businesses will face a significant tax bill with estimates around $120 billion from small businesses alone. IRS Notice diminishes the stimulative impact of the PPP and creates an administrative burden to small businesses. PCA is supportive of language used in Senator Cornyn's *S.3612 - Small Business Expense Protection Act of 2020* that would solve the core of this issue.

Our economy and industry are still in the midst of recovering. Throughout the pandemic, 85 percent of our retail members experience full or partial closures in response to state and local coronavirus restrictions. The 30,000 retail jobs in this sector are looking to Congress to fix this issue and provide them job security through a robust recovery.

As we approach an uncertain winter, we hope that Congress will take this request under serious consideration.

Sincerely,

Scott Pearce   John Anderson

Executive Director   President
Premium Cigar Association   Premium Cigar Association