

## Texas employers applaud bills to prevent surprise taxes on PPP loans

### *HB 1195 and SB 372 offer relief for employers at critical time*

(AUSTIN) — Texas employers are grateful to Rep. Charlie Geren, Sen. Kelly Hancock, Gov. Greg Abbott and Comptroller Glenn Hegar for championing legislation to prevent an unexpected tax increase on businesses at a time when many are still struggling to keep their doors open.

The U.S. Congress approved the Paycheck Protection Program (PPP) last year so businesses could use forgivable loans to pay employees even as COVID-19 caused a severe decrease in economic activity. The legislation creating the program stated that any portion of a PPP loan that qualified for loan forgiveness “shall be excluded from gross income” for tax purposes. However, after many businesses had already accepted PPP loans and used the proceeds to pay employees, the Internal Revenue Service declared that expenses paid with PPP loans would not be tax deductible as promised.

After more than 700 business groups pressed for action, Congress passed legislation late last year to ensure PPP loans were not counted as revenue in the calculation of federal taxes. However, without similar legislation at the state level, the forgivable PPP loans will be counted as revenue for purposes of the Texas franchise tax.

The Alliance for Securing and Strengthening the Economy in Texas (ASSET), a coalition of business groups representing millions of Texas employers, has called for a legislative fix that ensures businesses and their employees can see the full benefit of the PPP. This week, Rep. Geren filed [House Bill 1195](#), and Sen. Hancock filed [Senate Bill 372](#), to ensure Texas employers do not face an unexpected tax bill at a time when they are trying to use every tool available to stay in business and make payroll.

“These bills are critical to our economic recovery in Texas,” said ASSET spokeswoman Annie Spilman. “Businesses accepted PPP loans at a time when they were desperate to keep operating and paying their employees, and even with those loans, many have continued to struggle. Having to pay taxes on these forgivable loans could be the final nail in the coffin for many Texas employers. Legislators can provide needed certainty and stability for businesses and employees by passing HB 1195 and SB 372.”

Texas Restaurant Association President & CEO Emily Williams Knight added, “We worked with many business coalitions for months to ensure Congress’ intent would be honored, and businesses wouldn’t face a surprise tax bill for simply using the PPP program as intended. Now that we’ve accomplished our goal at the federal level, we’re proud to work alongside Texas’ leaders to ensure our local employers are protected from unexpected state taxes as well. Texas has a longstanding record of supporting job-creators, and I’m confident that with the leadership of Gov. Abbott, Comptroller Hegar, Sen. Hancock, and Rep. Geren, this is just the beginning of our work to ensure Texas businesses can rebuild from the pandemic stronger than ever.”

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