

New York State to Follow the Federal Tax Treatment of the Paycheck Protection Program (PPP)

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Published January 25, 2021 - New York State has recently ruled that it will follow the Federal tax treatment of the Paycheck Protection Program (PPP) contained in the Coronavirus Aid, Relief and Economic Security Act (CARES ACT) and the Consolidated Appropriations Act 2021.

Under the provisions of the CARES ACT and Consolidated Appropriation ACT 2021, PPP loans will be eligible for forgiveness if certain provisions included in these programs are met. In general, the PPP loans will be eligible for forgiveness if the following benchmarks are met:

1. Employee and compensation levels are maintained
2. Loan proceeds are spent on payroll costs and other eligible expenses; and
3. At least 60% of the proceeds are spent on payroll costs

Under the Federal provisions, PPP loans that are forgiven will not be taxable to the recipient and any expenses paid with the forgiven loan proceeds will remain deductible. In accordance with recently passed New York State legislation, a Taxpayer's forgiven PPP loan under the Federal provisions will also be excluded from New York state's adjusted gross income and thus exempt from taxation. New York is also following the Federal tax treatment for expenses paid with the PPP loan proceeds.

As a result, the Federal provisions will be automatically reflected in the New York State income tax computation and will not require any state specific adjustment. These were both greatly anticipated provisions that will help Taxpayers financially when it comes time to prepare and file their tax returns.

For more information, please contact your Client Service Coordinator or [Brian Dansa at bdansa@dopkins.com](mailto:bdansa@dopkins.com).