



## **S. XXXX, the Safeguarding Small Business Act** *Introduced by Sen. Braun (R-IN) May 4, 2020*

### **RATIONALE**

On March 27, 2020, President Donald J. Trump signed into law [H.R.748](#), the *Coronavirus Aid, Relief, and Economic Security (CARES)* Act (Public Law No. 116-136). This Act, which was unanimously approved by the U.S. Senate, established the Paycheck Protection Program (PPP) to provide small businesses with loans and loan forgiveness designed to keep American workers on the job. While the *CARES* Act specifically intended for amounts forgiven under the PPP to be excluded from gross income, guidance issued by the Internal Revenue Service this week ([Notice 2020-32](#)) does not fully allow all necessary deductions.

### **SMALL BUSINESS:**

- COVID-19 disrupted the world's strongest economy. The [International Monetary Fund \(IMF\)](#) estimated in January 2020 that the world economy would grow by 6.3 percent. Since COVID-19, they have revised that estimation for the economy to decline by 3 percent.
- The [National Federation for Independent Businesses \(NFIB\)](#) reported on April 3, 2020 that 93 percent of small employers have been negatively affected by COVID-19, an escalation of 76 percent just ten days earlier. This negative impact has been seen through fewer sales, supply chain disruptions, and a lack of healthy and able employees.
- Due to COVID-19, small businesses [are estimated](#) to be losing at least \$2 billion in wages a day. The total impact of lost wages in the United States could be over \$26 billion since the forced closures began on March 17th.
- For these reasons, the U.S. Congress created the PPP in order to free up short-term liquidity for small businesses and keep them afloat. Specifically, it was designed to ensure that employees of small businesses would continue to be paid during the pandemic.

### **THE BILL:**

- The *Safeguarding Small Business Act* makes a technical correction to the *CARES* Act to remove all tax liability associated with loan forgiveness under the Paycheck Protection Program.
- It does so by making clear that section 1106(i) of the *CARES* Act allows deductions otherwise allowable under the Code for payments of eligible section 1106 expenses by a recipient of a covered loan are allowed if the covered loan is subsequently forgiven under section 1106(b) of the *CARES* Act as a result of the payment of those expenses.

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