

Senate Bill 109 – Total of \$912 Million In Emergency Financial and Tax Provision

Passed by the Pa House and Senate. Signed by Governor Wolfe 2/5/21

Provides for many things, including:

1. Emergency COVID-19 response funding
2. Education relief for nonpublic schools.
3. Emergency relief for other educational entities such as school for the deaf and blind, charter schools, etc.
4. Other misc. workers compensation security fund transfer

Of more importance to tax professionals are the following sections

5. Section 1.1 – FORGIVENESS OF PAYCHECK PROTECTION LOANS
 - a. The classification of Income under section 303..... shall NOT include ANY amount which is excluded from Federal Gross Income under Section 276/278 of the COVID Related Tax Relief Act of 2020, enacted as subtitle B of Title II of Division N of the Consolidated Appropriations Act of 2021. **{In short, PPP forgiven loans are NOT taxable income}**
 - b. For the purposes of Article III of Tax Reform Code of 1971, No deduction may be disallowed for an expenses that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan in paragraph 1. **{In short, expenses paid with PPP funds are still deductible!}**
6. Establishment of a GRANT PROGRAM for the Hospitality Industry. Provide for grants of up to \$50K to eligible businesses. Application processed through Community Development Financial Institutions or Certified Economic Development Organizations **{ this may be important to tax pros with restaurant clients}**
7. RENTAL AND UTILITY ASSISTANCE GRANT PROGRAM – Provides for payments to LANDLORDS and Utility companies directly for back rent and charges owed by tenants affected by COVID, including COVID illness or job loss **{This may help clients that are landlords}**

Here is a link to the complete Senate bill with details of each program

<https://www.legis.state.pa.us/CFDOCS/Legis/PN/Public/btCheck.cfm?txtType=HTM&sessYr=2021&sessInd=0&billBody=S&billTyp=B&billNbr=0109&pn=0144>

Lastly, I clarified with the Department of Revenue the treatment of the EIDL.

The initial \$1000 - \$10,000 part of any EIDL funding is classified as a “Grant” by the federal government. Pennsylvania does NOT tax grants. Therefore, the EIDL Grant is NOT taxable income in PA.

From the PA DOR Website:

Will an SBA \$10,000 **grant** under the Economic Injury Disaster Loan program constitute taxable income for PA PIT purposes?

The Economic Injury Disaster Loan (**EIDL**) program provides for an “advance” of up to \$10,000 within 3 days of the loan application even before the loan is approved. Section 1110(e)(5) of the CARES Act provides that the **EIDL** “advance” does not have to be repaid (even if the loan is subsequently denied). Because the “advance” never has to be repaid (i.e., there are no conditions that have to be met to have the advance on the loan forgiven or discharged), Pennsylvania will treat the “advance” as a **grant** which is not subject to tax