



## Treasury Department and IRS provide safe harbor for small businesses to claim deductions relating to first-round Paycheck Protection Program loans

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WASHINGTON — The Treasury Department and the Internal Revenue Service today issued [Revenue Procedure 2021-20](#) for certain businesses that received first-round Paycheck Protection Program (PPP) loans but did not deduct any of the original eligible expenses because they relied on guidance issued before the enactment of tax relief legislation in December of 2020.

Under prior guidance, businesses that received PPP loans to cover payroll costs, interest on covered mortgage obligations, covered rent obligation payments, and covered utility payments could not deduct corresponding expenses.

With the Dec. 27, 2020, enactment of the Consolidated Appropriations Act, 2021, businesses now may claim these deductions even though they received PPP loans to cover original eligible expenses. These businesses can use the safe harbor provided by this guidance to deduct those expenses on the return for the immediately subsequent year.

More information on COVID-19 related tax relief for business can be found on [IRS.gov](http://IRS.gov)