



MULTISTATE INCOME/FRANCHISE TAX

California Governor signs A.B. 80 relating to PPP loans Tax Alert

Overview

On April 29, 2021, the California Governor signed A.B. 80 (available [here](#)), addressing modified conformity to federal income tax provisions relating to loans forgiven pursuant to the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136) (“CARES Act”), the Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-319) (“Enhancement Act”), the Paycheck Protection Program Flexibility Act of 2020 (Public Law 116-142) (“Flexibility Act”), or the Consolidated Appropriations Act, 2021 (Public Law 116-260) (“CCA”). A.B. 80 is now California law and applies to taxable years beginning on or after January 1, 2019.

Notably, for purposes of the Personal Income Tax Laws and the Corporation Tax Laws, A.B. 80:

- Excludes from gross income covered loan amounts forgiven pursuant to certain sections of the CARES Act, Enhancement Act, Flexibility Act, and CCA, as specified in A.B. 80.
- Excludes from gross income advance grant amounts issued pursuant to certain sections of the CARES Act and CCA, as specified in A.B. 80.
- Provides for modified conformity to provisions of the CCA that provide that “no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of the exclusion from gross income” due to forgiven Original Paycheck Protection Program Loans, Subsequent Paycheck Protection Program Loans, and United States Treasury Program Management Authority loans, as specified in A.B. 80. However, this provision does not apply to an “ineligible entity.”
 - “Ineligible entity” is defined to mean a taxpayer that either is a “publicly-traded company,” or “does not meet the reduction from the gross receipts requirements of Section 636(a)(37)(A)(iv)(bb) of Title 15 of the United States Code, as added by Section 311 of Division N of the [CCA]” which generally applies to taxpayers that did not experience at least a 25 percent reduction in gross receipts during certain periods specified under Section 636(a)(37)(A)(iv)(bb).
 - However, it does not appear that the “ineligible entity” exception applies to Emergency EIDL Grants and Targeted EIDL Advances, as specified in A.B. 80.

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