



INDIANA TAX REPORTING OF PPP FUNDS AND EXPENSES

As mentioned in our January 18, 2021 blog posting titled, "[State Conformity to CARES Act](#)," many states have not yet conformed or adopted the changes under the CARES Act or the Consolidated Appropriations Act 2021 (CAA). Indiana has "static" conformity where legislation is required to conform to Federal tax law changes. However, the Indiana Department of Revenue (DOR) has provided guidance on how Payroll Protection Program (PPP) loan forgiveness and the related expenses will be treated for Indiana income tax purposes until new state legislation is passed.

On the [Indiana DOR's Coronavirus Information](#) webpage, the DOR provides a list of Frequently Asked Questions related to the CARES Act and CAA 2021. Specifically, they have addressed whether PPP forgiveness that has been excluded for Federal tax purposes will also be excluded from Indiana taxable income. Because the debt forgiveness and related expense deduction modifications under the Acts were made under the Small Business Administration's portion of the Federal code and not the Internal Revenue Code, Indiana has stated that they will follow the federal tax treatment unless the General Assembly changes this during their 2021 legislative session.

As such, for Indiana income tax, PPP loan forgiveness will be treated as tax-exempt income and the related expenses will be deductible.

We will continue to follow any legislative actions under the 2021 General Assembly and notify you of any changes. Please contact your Somerset Advisor at 317.472.2200 or info@somersetcpas.com with any questions. As always, we are here to help.



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