



**SF 196** – Income Tax, Business Deductions for Paycheck Protection Program (LSB1873XS)  
 Staff Contact: Jeff Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)  
 Fiscal Note Version – New

**Description**

**Senate File 196** expands an existing tax preference available for the income and deductions associated with a forgiven federal Paycheck Protection Program (PPP) loan to include taxpayers who received a PPP loan within the taxpayer’s 2019 tax year (TY).

**Background**

Existing Iowa law provides an income tax exemption and associated expense deduction for forgiven federal PPP loans for tax years beginning on or after January 1, 2020 (TY 2020). This change extends the same benefit to taxpayers whose tax year is not the calendar year and who received PPP income in TY 2019.

**Assumptions**

The Department of Revenue estimates that Iowa businesses that do not have a tax year that coincides with a calendar year have a total of \$107.8 million in net PPP income that will be subject to Iowa income tax under existing law. The net PPP income amounts, average marginal tax rates, and income tax reductions assumptions are shown in the following table.

<b>Paycheck Protection Program Tax Exemption Projected General Fund Revenue Reduction</b>			
Dollars in Millions			
<u>Taxpayer Type</u>	<u>PPP Net Income</u>	<u>Marginal Tax Rate</u>	<u>Tax Reduction</u>
Nonprofits	\$ 19.7	0.0%	\$ 0.0
C Corporations	\$ 43.2	6.40%	\$ 2.8
S Corps & Partnerships	\$ 38.2	5.58%	\$ 2.1
Individuals	\$ 6.7	5.35%	\$ 0.4
	<u>\$ 107.8</u>		<u>\$ 5.3</u>

It is anticipated that taxpayers will file returns or amended returns for TY 2019 prior to the end of FY 2021.

**Fiscal Impact**

Expanding the income tax exemption to include businesses with a tax year that is not a calendar year is projected to reduce net General Fund revenue by \$5.3 million in FY 2021.

**Source**

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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