

ASSEMBLY, No. 4186

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JUNE 1, 2020

Sponsored by:

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

SYNOPSIS

Excludes forgiven Paycheck Protection Program loans from gross income tax.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** excluding forgiven Paycheck Protection Program loans
2 from gross income tax.

3

4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

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7 1. Notwithstanding N.J.S.54A:5-1, a loan forgiven pursuant to
8 section 1106 of the CARES Act, Pub.L.116-136, shall not be
9 included in the calculation of income subject to tax under the New
10 Jersey Gross Income Tax Act.

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12 2. This act shall take effect immediately.

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STATEMENT

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17 This bill ensures that forgiven Paycheck Protection Program
18 loans will not be subject to the State's gross income tax.

19 The CARES Act, a federal law enacted in response to the
20 economic impact of the COVID-19 pandemic, established the
21 Paycheck Protection Program (PPP). The PPP offers loans to small
22 businesses as an incentive to keep employees on their payroll
23 during the pandemic. Some or all of the loan may be forgiven if
24 certain conditions are met. Federal law generally considers forgiven
25 debt to be taxable income, but the CARES Act excluded forgiven
26 PPP loans from federal income tax.

27 For businesses subject to the State's Corporation Business Tax, a
28 forgiven PPP loan would not be taxed because that State tax
29 generally follows federal treatment of income. For pass-through
30 businesses, which do not independently pay tax, the income of the
31 business gets passed along to the business owners who then pay tax
32 on the income under the State's gross income tax.

33 Unlike federal law, a forgiven personal loan is not subject to the
34 State's gross income tax because forgiven personal loans do not fall
35 within any category of income under the State's definition of
36 income. However, forgiven loans of businesses may be subject to
37 tax when the business's income is passed-through to business
38 owners. To ensure that forgiven PPP loans are not ultimately taxed,
39 this bill explicitly excludes such forgiven loans from the State's
40 gross income tax.