

Taxes eliminated on PPP loans to businesses

Thousands of Ozaukee businesses received the COVID-recovery loans

By Lisa Curtis

Special to the News Graphic

CEDARBURG — Saying that it could bring some \$450 million in tax relief to Wisconsin businesses, Gov. Tony Evers Thursday signed an Assembly bill that had bipartisan support from the Ozaukee County delegation.

Perhaps most significantly, the bill eliminates the taxes on loans that businesses received from the federal government's Paycheck Protection Program, part of the government's coronavirus tax relief.

Many thought that the loans were never intended to be taxed.

Wisconsin Tavern League President Chris Marsicano, for example, said he and others were caught off guard by the prospect of being financially impacted by PPP loans.

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"We are going to get it fixed for our people," he said. "We're having the state pass some legislation to close that loophole so we can get our tax deduction for the wages paid. ... Other states have already made the fix."

Thousands of Ozaukee County businesses and nonprofits received the loans, according to federalpay.org. Manufacturers, churches, restaurants, gyms, landscapers, dentists and car dealerships were among those receiving varying amounts.

In Cedarburg, nearly 400 businesses received funds ranging from \$642 to more than \$2.6 million. In Grafton, the smallest loan was for \$742 and went to a company with one employee. The largest was for \$5.1 million. Mequon and Thiensville PPP loan recipients numbered around 850, with the lowest amount being \$1,000 and the highest around coming in at \$1.99 million.

The PPP is part of a \$2 trillion coronavirus aid package passed by Congress last year. The program aims to motivate small businesses to retain their employees or, if they have laid them off, get them back to work.

The primary incentive for companies to seek PPP loans is the offer of forgiveness if most of the money —

to save businesses and jobs. It was never intended to be a slush fund for government," Darling said.

Among those who voted against it was State Sen. Duey Stroebel, R-Saukville.

Stroebel was opposed to the PPP expense deduction proposal when it was before the Joint Finance Committee Feb. 10 and again when the Senate voted on it last week.

Stroebel criticized the bill as being the wrong avenue for reducing taxes, saying that he would prefer a different, more expansive way to reduce taxes.

"Strong state revenues are a great reason to reduce the tax burden. Allowing the recognition of expenses while ignoring the taxpayer-funded forgivable PPP loan 'revenue' is certainly not standard accounting principles," Stroebel said. "Only PPP recipients that made money have any state tax liability. Rather than grant profitable PPP benefactors a \$457 million tax write off, I would prefer a more broad and equitable tax reduction for all Wisconsin taxpayers."

The U.S. Congress took action to avoid a similar situation at the federal level in December.

originally 75% but later revised to 60% — is used for payroll. Businesses can borrow up to \$10 million based on their payroll costs; the loans carry a 1% interest rate and deferred payments for six months.

Owners can also use the money for rent, mortgage interest and insurance. If businesses cut jobs or employees’ pay, they’d have to repay some of the money.

The state Assembly approved the bill Feb. 16, on an 87-3 vote, with support from all of Ozaukee County’s delegates: Rob Brooks, R-Saukville; Dan Knodl, R-Germantown; and Deb Andraca, D-Whitefish Bay.

Local officials critical of program

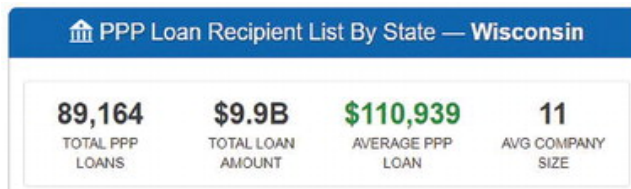
Andraca told the News Graphic that the question is not whether they help local businesses, but how. She was critical of the process, however.

“We must help struggling businesses survive the pandemic, but Wisconsinites deserve a lot more fairness and transparency when spending the public’s money,” Andraca said. “This measure spends nearly a half billion taxpayer dollars, yet had no public hearing and was rushed through the Legislature in about a week.”

The Assembly bill was paired with a state Senate bill that also passed Feb. 16 — on a vote of 27-5.

State Sen. Alberta Darling, R-River Hills, who was a cosponsor of an amendment to the bill, said that too many businesses have already been lost to the shutdown, and that a tax hike would only make it worse. She said that, according to data collected by the Small Business Administration, Wisconsin businesses seeking loans claimed they would retain nearly one-million employees.

“The emergency loans from the federal government were meant to be a lifeline



Data provided by federalpay.org shows how many businesses across the state have received federal Paycheck Protection Program loans.

Graphic courtesy of federalpay.org

Top Industries	Avg Loan	Avg Jobs	% Total	Total Loans
Full-Service Restaurants	\$73,228	18	2%	3,250
Dairy Cattle and Milk Production	\$49,873	7	1%	2,429
Religious Organizations	\$72,607	11	2%	2,394
Beauty Salons	\$20,501	3	0%	2,295
Offices of Real Estate Agents and Brokers	\$24,152	2	0%	1,855

Source: federalpay.org

This table shows data on federal Paycheck Protection Program loans made to companies in the top five industries in Wisconsin.

Source: federalpay.org