

The Coronavirus Aid, Relief, and Economic Security (CARES) Act and its impact on Occupational License Taxes: Frequently Asked Questions

FEDERAL PAYCHECK PROTECTION PROGRAM (PPP) LOANS¹

COVID-19 GRANTS FROM LOUISVILLE METRO GOVERNMENT

Question: If a business received a **Federal Paycheck Protection Program Loan**, is that income subject to the Louisville Occupational License tax?

Short Answer: It Depends.

Long Answer: How the taxpayer included the loan on their federal return will determine whether it is subject to the Occupational License Tax. The treatment of PPP loans for Occupational License tax purposes is the *same* as the treatment for federal tax purposes. No adjustments related to the CARES Act are included in LMCO §110.01.

Taxpayers whose federal loans are forgiven as provided by the CARES Act are not required to include the proceeds in taxable income. If the loan was not forgiven, it must be included in taxable income. Expenses that are covered by the forgiven loan proceeds are still deductible in the calculation of taxable income.

Question: If a business receives a **Covid-19 Grant** from Louisville Metro Government, is that income subject to the Louisville Occupational License tax?

Short Answer: Yes.

Long Answer: The receipt of a government grant by a business is generally not excluded from a business's gross income under the Internal Revenue Code and is therefore taxable.

No local ordinance exists exempting these funds from inclusion in gross income for purposes of occupational license taxes. Covid-19 Grants are therefore included in gross income reported to the LMRC.

¹ Taxpayers should consult with a tax professional for questions concerning the status of their PPP Loan on their Federal Tax Return.