

1 Code of 1986. Such regulations or other guidance shall
2 apply to expenses paid or incurred after March 12, 2020.

3 **SEC. 276. CLARIFICATION OF TAX TREATMENT OF FOR-**
4 **GIVENESS OF COVERED LOANS.**

5 (a) ORIGINAL PAYCHECK PROTECTION PROGRAM
6 LOANS.—

7 (1) IN GENERAL.—Subsection (i) of section 7A
8 of the Small Business Act, as redesignated, trans-
9 ferred, and amended by the Economic Aid to Hard-
10 Hit Small Businesses, Nonprofits, and Venues Act,
11 is amended to read as follows:

12 “(i) TAX TREATMENT.—For purposes of the Internal
13 Revenue Code of 1986—

14 “(1) no amount shall be included in the gross
15 income of the eligible recipient by reason of forgive-
16 ness of indebtedness described in subsection (b),

17 “(2) no deduction shall be denied, no tax at-
18 tribute shall be reduced, and no basis increase shall
19 be denied, by reason of the exclusion from gross in-
20 come provided by paragraph (1), and

21 “(3) in the case of an eligible recipient that is
22 a partnership or S corporation—

23 “(A) any amount excluded from income by
24 reason of paragraph (1) shall be treated as tax
25 exempt income for purposes of sections 705 and

1 1366 of the Internal Revenue Code of 1986,
2 and

3 “(B) except as provided by the Secretary
4 of the Treasury (or the Secretary’s delegate),
5 any increase in the adjusted basis of a partner’s
6 interest in a partnership under section 705 of
7 the Internal Revenue Code of 1986 with respect
8 to any amount described in subparagraph (A)
9 shall equal the partner’s distributive share of
10 deductions resulting from costs giving rise to
11 forgiveness described in subsection (b).”.

12 (2) EFFECTIVE DATE.—The amendment made
13 by this subsection shall apply to taxable years end-
14 ing after the date of the enactment of the CARES
15 Act.

16 (b) SUBSEQUENT PAYCHECK PROTECTION PROGRAM
17 LOANS.—For purposes of the Internal Revenue Code of
18 1986, in the case of any taxable year ending after the date
19 of the enactment of this Act—

20 (1) no amount shall be included in the gross in-
21 come of an eligible entity (within the meaning of
22 subparagraph (J) of section 7(a)(37) of the Small
23 Business Act) by reason of forgiveness of indebted-
24 ness described in clause (ii) of such subparagraph,

1 (2) no deduction shall be denied, no tax at-
2 tribute shall be reduced, and no basis increase shall
3 be denied, by reason of the exclusion from gross in-
4 come provided by paragraph (1), and

5 (3) in the case of an eligible entity that is a
6 partnership or S corporation—

7 (A) any amount excluded from income by
8 reason of paragraph (1) shall be treated as tax
9 exempt income for purposes of sections 705 and
10 1366 of the Internal Revenue Code of 1986,
11 and

12 (B) except as provided by the Secretary of
13 the Treasury (or the Secretary's delegate), any
14 increase in the adjusted basis of a partner's in-
15 terest in a partnership under section 705 of the
16 Internal Revenue Code of 1986 with respect to
17 any amount described in subparagraph (A)
18 shall equal the partner's distributive share of
19 deductions resulting from costs giving rise to
20 the forgiveness of indebtedness referred to in
21 paragraph (1).

22 **SEC. 277. EMERGENCY FINANCIAL AID GRANTS.**

23 (a) **IN GENERAL.**—In the case of a student receiving
24 a qualified emergency financial aid grant—