

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—