



The Commonwealth of Massachusetts
House of Representatives
State House, Boston 02133-1054

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Representative Smola calls for financial relief to small businesses

BOSTON – Representative Todd M. Smola (R-Warren, Ranking Member, Committee on Ways & Means) is calling on House and Senate leadership to act quickly to pass legislation that will assist the state's employers who are continuing to struggle financially during the ongoing global pandemic.

Representative Smola is one of the legislators urging the adoption of an unemployment insurance rate freeze, along with a change in the state's tax laws to protect businesses from being taxed for loans they secured through the Paycheck Protection Program (PPP).

Two letters were submitted to House and Senate leadership on March 4 and signed by a bipartisan group of legislators from both branches, including Representative Smola. One letter expresses support for House Bill 55, an unemployment insurance rate freeze proposal filed by Governor Charlie Baker, while the other calls for the passage of legislation that would create a state tax exemption for PPP loans.

House Bill 55 would freeze the experience rate for employers at Schedule "E" for calendar years 2021 and 2022. Without legislative action, employers will be facing a significant rate increase that would see their unemployment insurance taxes jump from \$539 to \$858 per worker this year, with additional incremental increases taking effect in subsequent years.

"This bill will provide relief that our businesses need as they continue to address challenges related to the pandemic," said Smola. "The decline in unemployment is good news but the scheduled experience rate increase in unemployment taxes is troubling. This increase will have a serious impact on businesses who are still struggling to deal with the uncertainties of the current public health crisis.

Representative Smola is also backing legislation to exempt forgiven PPP loans from the state income tax. Section 1106 of Public Law No. 116-136, the federal Coronavirus Aid, Relief and Economic Security (CARES) Act, provides loan forgiveness to small businesses for certain loans made pursuant to the PPP under the Small Business Act. Under the Act, any amount of cancelled debt associated with the PPP loan that would otherwise be includable in the gross income of the borrower under the Internal Revenue Code (IRC) for federal income tax purposes is excluded from gross income.

"The corporate tax code in Massachusetts adapts to our federal tax laws but the same does not hold true with the state's personal income tax code," said Smola. "This discrepancy will put independent contractors, restaurants and small businesses at a huge disadvantage by forcing them to pay state taxes on their PPP loans. The reality is that most businesses owners were not aware of this tax and are not prepared for it. We need to change the law quickly so that this tax liability does not fall upon their shoulders."

The letters were addressed to House Speaker Ronald Mariano, Senate President Karen Spilka, House Ways and Means Chairman Aaron Michlewitz, and Senate Ways and Means Chairman Michael Rodrigues.

For additional information please contact Representative Smola at Todd.Smola@mahouse.gov or (617)722-2100.

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