**A** **BILL**

TO AMEND SECTION 12‑6‑40, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE APPLICATION OF THE INTERNAL REVENUE CODE TO STATE INCOME TAX LAWS, SO AS TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE TO THE YEAR 2020, TO PROVIDE THAT IF THE INTERNAL REVENUE CODE SECTIONS ADOPTED BY THIS STATE ARE EXTENDED, THEN THESE SECTIONS ALSO ARE EXTENDED FOR SOUTH CAROLINA INCOME TAX PURPOSES, AND TO PROVIDE FOR THE TAX TREATMENT OF THE PAYCHECK PROTECTION PROGRAM AND CERTAIN EXPENSES AS PROVIDED FOR IN THE FEDERAL CONSOLIDATED APPROPRIATIONS ACT OF 2021.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. A. Section 12‑6‑40(A)(1)(a) and (c) of the 1976 Code, as last amended by Act 147 of 2020, is further amended to read:

“(a) Except as otherwise provided, ‘Internal Revenue Code’ means the Internal Revenue Code of 1986, as amended through December 31, ~~2019~~ 2020, and includes the effective date provisions contained in it.

(c) If Internal Revenue Code sections adopted by this State which expired or portions thereof expired on December 31, ~~2019~~ 2020, are extended, but otherwise not amended, by congressional enactment during ~~2020~~ 2021, these sections or portions thereof also are extended for South Carolina income tax purposes in the same manner that they are extended for federal income tax purposes.”

B. Section 12-6-40(A)(1) of the 1976 Code, as last amended by Act 147 of 2020, is further amended by adding appropriately lettered subitems to read:

“( ) To the extent loans are forgiven and excluded from gross income for federal income tax purposes under the paycheck protection program in Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116‑136), or from any extension of the paycheck protection program, those loans are excluded for South Carolina income tax purposes. Further, to the extent the federal government allows the deduction of expenses associated with the forgiven paycheck protection program loans, these expenses will be allowed as a deduction for South Carolina income tax purposes.

( ) South Carolina adopts the federal tax treatment for any exclusion from federal taxable income or allowance of expenses as provided in the federal Consolidated Appropriations Act of 2021 in Sections 276 (Clarification of Tax Treatment of Forgiveness of Covered Loans), 277 (Emergency Financial Aid Grants), and 278 (Clarification of Tax Treatment of Certain Loan Forgiveness and Other Business Financial Assistance).”

SECTION 2. This act takes effect upon approval by the Governor.

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