



Covid-19 Resources

FAQs – January 13, 2021

Getting you the answers to the many questions related to Covid-19 and its impact to you is our first priority. Things continue to evolve and change very rapidly, but please know that our team is working as quickly as possible to understand all that is taking place and going to the source for the answers. Our goal is to get you answers and information that is in **your** best interest and not get waylaid with distractions. Below are the most recent questions we have been fielding.

Q1 – Should I apply for the second round of PPP financing?

You can receive a second loan if you have spent the entire amount of the first loan on or before the date the second loan is disbursed, and still need help. To qualify for the second round of PPP funding, you must show a 25% or greater drop in collections for any quarter of 2020 compared to the same quarter of 2019. Alternatively, a borrower may submit annual tax forms showing a reduction in annual revenue of 25% or greater in 2020 compared to 2019. You must also certify on the application that current economic uncertainty makes this loan request necessary to support the ongoing operations of your practice.

Assuming you meet these qualifications, then you are eligible to apply and we recommend you reach out to the bank you originally applied with as they will have your already set up in their system and application will be easier for you. The SBA has stated that second round loans will start on January 13th.

Loans are still capped at 2.5 times your average monthly payroll costs in the one year prior to the loan being issued and the program will end on March 31, 2021, or earlier if the money runs out.

Q2 – I applied for forgiveness on the first PPP loan and my bank required the EIDL grant be repaid. I thought the new law said I get to keep that?

Yes, in some cases, the banks and SBA required the EIDL grant be repaid. With this new law, you no longer have to repay the EIDL grant. If you already did, we recommend reaching out to your banker. We are told the SBA will reimburse banks and that the bank will return the funds to you.

Q3 – Should I apply for forgiveness on first PPP loan yet?

For those with loans under \$150,000, we had been recommending you wait to apply for forgiveness, as Congress had hinted at a simplified application process. That has finally come, though the actual forgiveness form and mechanics of applying are still to be worked out by the SBA. But if your loan is under \$150,000, it will likely be a one-page form that certifies you met all the requirements for forgiveness, similar to the process for loans under \$50,000 previously announced.

For loans of any size, we still recommend waiting until all wrinkles from the recent PPP and tax credit changes have been ironed out (see below). Applying for the second round of PPP is not contingent on your first loan being forgiven, only that you have spent all the funds, which we believe all our clients should have done by now.

Q4 – Am I now eligible for the Employee Retention Credit (ERC)?

The Employee Retention Credit was created early in 2020 to address the Covid-19 situation. At the time, it was not available to those that received a PPP loan. For most clients, we recommended that the PPP loan was the better option. With the recent changes from Congress, the ERC is now available regardless of whether you received a PPP loan, making it available to countless more businesses.

To qualify for the ERC, you must have either:

1. Had a 50% drop in gross receipts during any calendar quarter of 2020 compared to the same quarter in 2019, or
2. Been subject to a full or partial closure because of government orders related to Covid-19 (Washington's closure of dental offices last spring satisfies this requirement).

Under option one, you remain eligible for the credit up to and including the quarter in which your gross receipts return to at least 80% of the prior year. For example, many of our clients had their revenues drop by at least 50% in quarter two. If you returned to at least 80% of the prior year in quarter three, you can continue to claim the credit through the end of quarter three.

For option two, you are eligible for the credit as long as the government order lasts.

The credit is allowed on 50% of wages of up to \$10,000 per employee (a maximum \$5,000 credit per employee). It is claimed as a reduction on your Form 941 payroll taxes.

Important Planning Point: You may not claim the Employee Retention Credit on wages for which you used to obtain PPP forgiveness or any other relief programs such as sick pay reimbursed under the FFCRA. Thus, we recommend waiting to apply for forgiveness on the first round of PPP loans until it can be determined how best to utilize wages for the ERC. That may require you to include rent, utilities, or other expenses to achieve full PPP forgiveness, where we previously believed wages alone would be enough.

Note that the provisions for the ERC are for wages paid between March 12, 2020 and December 31, 2020. As this time has already passed, you may be eligible to file amended Forms 941 for the relevant quarters. However, this typically must be done on paper forms with no electronic filing option. Given the number of businesses now eligible for the credit and the IRS's ability to process such returns, it remains to be seen how this will be handled. It is likely that you will not see any refunds for some time.

If you use a third-party payroll administrator, it may not hurt to contact them to see if they have any plans for either amending 2020 payroll taxes or tracking 2021 credits. However, they are likely absorbing and responding to the recent changes much like the rest of us.

Dental Group, LLC - We continue to work both in the office and remotely. Our meetings will be done via teleconference and or online collaboration. If you plan to drop off documents, please call ahead to coordinate a time when we will be in the office as there is no safe place to leave documents at the door.

If you have any questions, please do not hesitate to contact us directly at (425) 216-1612.

Also, note that the extension of the credit changed some of the details for wages paid in 2021. Wages paid through June 30, 2021 are potentially eligible, the drop in gross revenue test has changed from 50% to only 20%, and 70% of wages (up to a \$7,000 credit per employee on top of the \$5,000 from 2020) can be claimed. It is unclear how many dental offices will qualify for the 2021 credit, and the issue of coordinating with the second round of PPP loans will also be relevant.

Q5 – When does the Reporting Requirement for the Provider Relief Fund (PRF) start?

The HHS has stated that the reporting portal will open this Friday, January 15th and the deadline to submit remains February 15th. No further updates have been provided at this time.

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