DG Advisors LLC
Proactive Tax & Profitability Solutions™
A DENTAL GROUP COMPANY

Updated May 4, 2021

Covid-19 Resources

FAQs – May 4, 2021

Getting you the answers to the many questions related to Covid-19 and its impact to you is our first priority. Our team is working as quickly as possible to understand all that is taking place. 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.

REMINDER

Effective June 1, 2021, the old Net Client Portal system will no longer be accessible. If you have documents in the old portal system that you have not downloaded, please do so before June 1. If convenient, you may upload those documents to the new Tax Caddy software and use that as your storage location. If you later realize you need something, simply call and we can email it to you via a secure and encrypted email or place it into Tax Caddy for you.

Q1 – Am I eligible for the Employee Retention Credit (ERC) and if so, what do I need to do?

We have implemented our ERC and PPP loan optimization project and have begun preliminary calculations for all our clients to determine eligibility and potential credit amount. Please be patient as our staff gathers your information. We will reach out to you in an email with what you may be eligible for along with a special project memorandum for you to complete and sign before we proceed with actually claiming this credit. Our minimum fee to calculate and prepare the amended 941X form(s) and update/amend your 2020 income tax returns will be $1,000 (with actual time billed for at our hourly rates). We will not charge for any preliminary work to determine your eligibility and estimated credit amount.

Our work will also entail allocating wages paid during both the ERC and PPP periods to optimize between both programs. We will notify you of just how much in payroll costs are available to apply towards your PPP forgiveness application if 100% is not available to optimize your ERC. Once the ERC has been determined, we can also assist you with PPP forgiveness upon request. We urge those who have not applied for PPP forgiveness yet to continue to wait until we reach out to you regarding the ERC first. If you have already applied for PPP forgiveness, we will need a copy of your forgiveness application before finalizing the ERC.

Q2 – Back in 2020, I worked with my payroll company to defer the payment of payroll taxes. I think I have to pay those back in 2021. Will my payroll company do that for me? Do I need to do anything?

There were two distinct payroll deferrals offered as pandemic relief last year, both of which were optional. One was for the employer portion of Social Security taxes, and the other was for the employee portion.

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Employers Portion

Employers were allowed under the CARES Act to defer the employer portion of Social Security taxes for wages paid between March 27, 2020 and December 31, 2020. The total amount deferred must be paid back, 50% of which is due December 31, 2021, and the remaining 50% is due December 31, 2022.

In previous notices, the IRS has said they will issue reminders for amounts due. Because the amounts were determined by the quarterly Forms 941, you may receive multiple reminders if you deferred amounts in multiple quarters. But the due dates and 50% payments do not change regardless of which quarter you deferred your payments.

Your payroll provider may or may not pay these taxes for you, so you will need to check. If your payroll provider does not, payments should be made using EFTPS - https://www.eftps.com/eftps. When entering the payment, it must be coded as a Form 941 payment with the proper year and quarter in which the payment was deferred. You also must check the box that says the payment is being made due to an IRS notice (even if you have not yet received a payment reminder).

For example, if in 2020 you deferred $5,000 in Q2, $10,000 in Q3, and $25,000 in Q4 for a total of $40,000, you must pay back $20,000 on or before December 31, 2021. You would need do so with 3 different payments – $5,000 applied to Q2, $10,000 applied to Q3, and $5,000 applied to Q4. The remaining $20,000 applicable to Q4 would be due December 31, 2022. You are free to pay back the entire amount any time before the due dates.

Employees Portion

The employee deferral was meant to temporarily give employees a larger take-home check for applicable wages between September 1, 2020 and December 31, 2020. At the time, we recommended not utilizing this as the net impact to each employee was minimal, it only applied to certain employees and certain pay periods, and it would create logistical and bookkeeping difficulties.

That deferral is to be paid back by withholding additional amounts on employees' 2021 wages and was originally due by April 30, 2021. That has since been changed to December 31, 2021. However, these payments are not made through payroll. If they are included on your regular Form 941 quarterly payroll tax report, they will not be properly recognized. They must be made using EFTPS and coded as a "deferral payment." You can likely work with your payroll company to calculate the additional withholding needed, but the payment must be made with EFTPS outside of payroll.

As a reminder, even though it was the employee portion that was deferred, it is up to the employer to ensure the payments are made. If an employee no longer works for you, it is still your responsibility to make any remaining deferral payments.

Q3 – I have heard something about Washington State having a new payroll tax related to Long Term Care Insurance. How does this work? Do I have to do anything?

Washington has adopted the nation's first state-run long-term care (LTC) services and support trust program.

Governor Jay Inslee signed SB 1323, amending RCW 50B.04 to provide that, beginning January 1, 2022, Washington employers must withhold a new 0.58 percent payroll tax from all employee wages, with no cap on the amount, and remit those payments to the state quarterly. Unlike the Washington Paid Family Medical Leave (WPFML) law, there is no employer-funded premium under the new law.

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Covered Employers, Employees: All private and public employers with a Washington employee, except for the federal government and federal tribes, must collect the new tax. In general, all Washington employees must pay the new tax.

Limited exceptions include:

1. Self-employed individuals (unless they elect otherwise);
2. Employees of federal tribes (unless the tribe elects otherwise) or the federal government;
3. Employees subject to a collective bargaining agreement in existence as of October 19, 2017, unless and until such agreement is reopened, renegotiated, or expired.

In short, virtually everyone who receives a W-2 – including S Corporation owners, are subject to this new tax.

Opting Out: Covered employees have a small window to receive an exemption from paying the tax if they attest to having sufficient LTC insurance purchased before November 1, 2021. The Employment Security Department (ESD) will accept applications for this exemption **only between October 1, 2021, and December 31, 2022**.

If ESD approves the application, the exempt employee must submit written notification to the employer. Employers must retain those notifications. Exempted employees cannot opt back into the program. ESD is in the process of drafting rules that include the attributes of a qualifying LTC policy.

Benefit Provided: In general, beginning January 1, 2025, qualified employees can get up to $100 per day, up to a maximum lifetime amount of $36,500 (adjusted annually), for approved long-term care services and support for one year. The range of approved services is quite broad and includes nursing facilities, assisted living facilities or adult family homes, home healthcare, wheelchair ramps, emergency alert devices, Meals on Wheels, transportation, caregiver support, memory care, and much more.

Qualified employees include those who:

1. Paid premiums under the program for a total of 10 years without interruption of five or more consecutive years; or
2. Paid premiums for three of the last six years from the date of the application for benefits; and
3. Worked at least 500 hours during each of the 10- or three-year timeframes, respectively.

To receive benefits, eligible employees must receive a determination from the Department of Social and Health Services that they require assistance with at least three activities of daily living.

Higher-income employees may pay more for benefits than what they ultimately receive from the program. Employees who pay their premiums as required **and then leave the state would not be able to receive benefits**. Finally, anyone close to retirement may start paying premiums but never qualify for any benefits.

Q4 – I still have not received my refund for 2020 even though my return was filed long ago. Is the IRS still behind?

Yes, the IRS unfortunately still has some catching up to do. Like many businesses, they were impacted last year and were short-staffed (beyond their typical staffing and budget issues). Even though they are presumably back to regular staffing levels, many of the pandemic-related tax provisions require additional manual processing, not to mention added tasks such as stimulus payments to facilitate. Recent statistics show that about 2% of calls to the IRS 1040 assistance line are actually answered.

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The IRS still recommends people utilize the Where's My Refund tool at IRS.gov. However, this is limited in its usefulness, as it will likely only tell you a return is being processed without any further details. As frustrating as it may be, patience is still the best option at this point.

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.