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

Updated September 23, 2021

Covid-19 Resources

FAQs – September 23, 2021

Thankfully, most in the Dental Profession, are seeing a strong recovery from the closure last year and many of the small business stimulus and relief packages are winding down. However, there remain a few items that we don't want to lose track of. Providing you the answers and guidance on the remaining steps related to aid packages remains a high priority for us. Our goal is to get you answers and information that allow you to get back to running your practice and caring for your patients. Below are the most recent questions we have been fielding.

Q1 – Should I apply for additional HHS funds?

On September 29, 2021 the HHS will begin accepting new applications for additional funding under the Provider Relief Fund – Phase 4 to providers that can demonstrate lost revenue and changes in operating expenses associated with the pandemic from July 1, 2020 to March 31, 2021. The HHS will calculate these payments as follows: 75% of any distribution based on lost revenue and any related pandemic expenses; and 25% as bonus payments based on the amount and type of services provided to Medicaid/CHIP/Medicare patients.

While dentists continue to be eligible medical providers under the program, most in our area have seen a recovery in revenue in the later part of 2020 and first quarter of 2021. It is unclear at the moment what base period will be used to calculate lost revenues but presumably it will be based on 2019 revenues as with previous disbursements.

In addition to Phase 4 of the Provider Relief Fund, new funds from the American Rescue Plan are available to practices serving Medicaid/CHIP/Medicare patients in Federally defined Rural Areas. You can check to see if you are located in a defined Rural Area for eligibility under this program here: https://data.hrsa.gov/tools/rural-health?tab=Address

Given prior HHS funding already received by dentists, most if not all of the lost revenue has already been recovered and there have been minimal covid related expenses, which makes any Phase 4 payments more likely to have to be paid back in the future. While you may be eligible for additional funding, we caution you to be aware of the possibility of having to return any excess funds if you are unable to qualify.

You will be able to apply for both programs under the same application. As with any grant program, be sure to read through the terms and conditions and, as with the previous disbursements, future reporting requirements will apply. Additional information about these future payments can be found on the HHS website: https://www.hrsa.gov/provider-relief/future-payments.

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Q2 – Should I file for forgiveness on my second PPP loan yet?

If you received your 2nd PPP loan on or before April 9, 2021, then your 24-week period has passed and we recommend you proceed with filing for forgiveness. Check with your lender regarding their protocols and let us know if you have any questions on how to proceed.

Q3 – Should I be doing anything related to HHS / PRF reporting?

As a reminder, if you received PRF (HHS) funds after July 1, 2020, then the soonest you need to report will be January 1, 2022 and you do not have the option of reporting early. In the meantime, you are encouraged to register in the PRF Reporting Portal in advance of the reporting time period. The registration process will take approximately 20 minutes to complete and must be completed in one session. The entire registration form must be completed for it to be saved.

What is needed to register?

Before starting the registration process, recipients should have the following on hand:

- Tax ID Number (TIN)
- Business name of the reporting entity (as it appears on IRS Form W-9)
- Contact information of the person responsible for submitting the report
- Address as it appears on IRS Form W-9
- Payment information (for any of the payments received)
    - TIN of entity that received the payment; Payment amount; Mode of payment (check or direct deposit ACH); Check number or ACH settlement date

Where can I learn more?

Click here for more information

If you did received funds before July 1, 2020, then your reporting period is now open.

Q4 – Any updates on the new federal tax bill proposals?

News continues to come out regarding possible changes to the tax code. As with all updates, we urge you not to get too caught up in the fine details until a law is actually passed; anything else is just speculation. With that being said, it is likely a safe bet that taxes will increase in some form over the next few years. The effective date for such changes is also up for debate, but the latest proposal from House Democrats includes:

- Raising the highest individual income tax rate back to the pre-Trump 39.6% (currently 37%)
- An extra 3% surcharge on income above $5 million
- Raising the highest capital gains rate from 20% to 25% (earlier proposals had capital gains taxed at ordinary rates for income above $1 million)
- Expanding the 3.8% Net Investment Income Tax, possibly even covering active business pass-through income, not just passive investments (possibly ending the employment tax free nature of S Corporation earnings)

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.

- Raising the corporate income tax rate from the current 21% (earlier proposals had 28%, the latest is 26.5%, both of which are still well below the 35% from a few years ago)

Q4 – Should we still be worried about the 7 Percent WA State Capital Gains Tax on annual gains that exceed $250,000?

There is still likely a long battle before the proposed tax goes into effect. The tax's ultimate success or failure is not clear, but we do have more clarification on the exclusion for "family-owned small businesses" that would be exempt from the tax.

If you sell your practice (whether it is structured as an asset sale or a sale of the business itself), you will be able to exclude the gain (including the goodwill portion) if you meet the following requirements:

- You owned your interest for at least 5 years prior to the sale
- You (or your family) materially participated in the business for at least 5 of the previous 10 years
- The business had gross revenues under $10 million in the 12 months prior to the sale
- You own the business as a sole proprietor, or:
    - At least 50% owned by you or your family, or
    - At least 30% owned by you or your family, and
        - At least 70% owned by members of 2 families, or
        - At least 90% owned by members of 3 families

So, a 100% S-Corporation owner will meet the exception, as will a Partnership equally owned by two or three partners. A four-person Partnership would likely not qualify, unless some of the partners are otherwise related. Also note the exception only applies when you sell a substantial portion of your interest (at least 90%). If your business generates capital gain by other means, such as the sale of equipment, that will not fall under this exception.

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