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

Updated December 14, 2021

Covid-19 Resources

FAQs – December 14, 2021

Thankfully, we can almost say 2021 is past and we can look forward to the new year. As we do so, there are some important items still to be considered. 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 – Are there any updates on when my ERC Refund will arrive? Can I check the status of my ERC Refund?

We are slowly starting to see ERC refund checks trickle in. They are taking at least 6 months from when you originally filed the form(s) with the IRS. If you would like to check the status, you can call the IRS at 800-829-4933 although you should be prepared to sit on hold for a while when you call. Alternatively, you may obtain a tax transcript online from the IRS. You can access the service via this link . You will use the federal tax id number from your practice (which was on the Form 941X). This transcript will show if the Forms 941X have been received and are in process.

Q2 – What steps should I be taking now with my payroll company to be prepared for the year-end?

Your payroll company has most likely reached out to you (or has a checklist available when you log in if you utilize Gusto payroll) of year end action items. These are steps that you or your team will need to take to ensure your year-end payroll is properly processed and all W-2s and the 4th quarter reports are timely filed. These items will include:

1. If an S corporation, reporting your self-employed health insurance. (We have provided that information to you and your team so be sure it gets to you or your payroll provider).
2. Reviewing employee listing for complete data – SSN, name, address etc.
3. Reporting any cash bonuses you might have given to team members during the Holidays
4. Deadline for running final payrolls in 2021
5. Maximizing your deferrals to retirement plans

Q3 – I am hiring an employee that will be working remotely and lives in another state. Do I need to do anything special in this regard?

1. Yes! First, be sure to talk with your HR consultant or attorney to be sure there are no legal changes you need to be aware of.

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2. Work with your payroll company as they will likely need to register your business in that state and sign up to file and report payroll in that state.
3. Also, hiring an employee in another state could potentially subject you to income taxes in that state even though your business is based here. So, be sure to consider the added complications that go along with this.

Q4 – Are there other steps related to payroll that I need to take now for 2022?

A reminder that the actual date of the payroll is the date that determines which year the wages show on the W-2 for the employee. If a payroll is dated on January 2, 2022 for the pay period of December 16 – December 31 of 2021, then it is considered payroll in 2022.

Items to consider for the first payroll dated in 2022:

1. If you or family members are receiving payroll, be sure to utilize the new salary schedule we will be emailing to you the week of December 20th. If you need help with this, let us know. We will not automatically enter this to your payroll provider.

2. You will be receiving updated rates from the state for L&I, ESD (State Unemployment) and WA PFML (Paid Family Medical Leave). All of these rate notices must either be supplied to your payroll provider for them to update or if on Gusto, you will need to update the rates. If you need help let us know and we can provide you a resource that shows where to do this.

3. You may also receive correspondence from the IRS related to your required payroll tax deposit schedule. This should also be provided to your payroll rep.

4. Starting with the first payroll in 2022, your payroll provider will be required to withhold additional taxes from all non-exempt employees for the Washington Cares Fund (Long Term Care (LTC)). To treat an employee as exempt they must provide you with a copy of the exemption notification from the state. Just having a copy of their LTC policy is not sufficient. Given this is new for 2022, work closely with your payroll specialist to be sure the employees are listed as exempt.

Q5 – Do you have an update on the new federal tax laws? The Washington Long Term Capital Gains Tax or the Washington Cares (Long Term Care) Tax?

Federal Tax Law Update: The original Build Back Better (BBB) legislation contained many tax provisions that would have impacted dentists negatively. This has been greatly pruned down with likely only two provisions on point; one that would be helpful to many dentists and one that could be negative to many dentists.

Under the Tax Cuts and Jobs Act – rates were reduced but certain deductions were eliminated or reduced. For example, the itemized deduction for State and Local Taxes (SALT) has been limited to $10,000 per year. The current version of the bill would greatly increase this limitation.

S Corporations benefit from the fact that taxable income over and above a "reasonable salary" are exempt from FICA taxes saving dentists operating in S Corporation thousands of dollars per year. The current bill

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would apparently "cap" this savings where and to the extent Modified Adjusted Gross Income exceeds $500,000 (joint) or $400,000 (single).

If our preliminary interpretation is accurate, this would leave this S Corporation benefit still valuable but limited (versus another possible interpretation that would render the benefit worthless).

The status of the BBB bill is that it has been passed by the House and is now in the Senate. It is not unlikely that this bill might not be put forward at all; or if so, with significant alterations which would then have to go back to the House or to a Senate/House conference. So, if the bill becomes law, expect further changes.

Washington Cares (Long-term Care) Tax. This tax of .58% of gross wages (or $58 per $10,000 of annual W-2 wages) takes effect as of the first payroll of 2022 unless subject individuals have obtained exemption from the Employment Security Department and provide those exemptions to their employers. Generally, S Corporation shareholder wages are subject to the new tax if the S Corporation was formed as a Professional Corporation (PS or PC); however, S Corporations that were originally formed as a Limited Liability Company (LLC or PLLC) do not subject Shareholder wages to the new tax as the State of Washington considers LLC's as sole proprietorship or if multi-owners – partnerships neither of which apply this tax to the owners.

The fate of this tax is not yet clear. There are several actions in process that could eliminate or greatly change the Washington Cares Act – including one or more lawsuits; a citizen initiative and possible action by the Washington State Legislature which includes members of both sides of the aisle unhappy with this new law.

Washington State Capital Gains Tax: This new tax is effective in 2022. The first potential required reporting date would be in early 2023 for applicable capital gains occurring in 2022 and is imposed at a rate of 7%. The tax would only apply if total applicable gains exceed $250,000 for the year and there are many exempted gains and deductions – which generally include Real Estate and the sale of substantially all of a qualified family-owned small business – which would likely apply to most privately held dental practices that were sold in full.

There is a consolidated lawsuit pending that will be heard in Douglass County, Washington that has been given the green-light by the court. The gist of the suit is that the Washington State Constitution does not allow for a tax on income. The Washington Attorney General argues that the tax is not a tax on income but rather an excise tax. Interesting, the Internal Revenue Service and 49 other states treat and define capital gains taxes as an income tax.

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