



Covid-19 Resources

FAQs – April 8, 2020

Getting you the answers to the many questions related to Covid-19 and its impact to you is our first priority.

Things are changing very quickly, and we seem to have little time to analyze updates before new and sometimes contradictory information becomes available. Please know that we are working quickly 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.

To keep you informed of the changing environment, we intend to send an update to you in the form of FAQs. This may be as frequently as daily but most definitely as often as will be useful to you.

Q1 – When does the 8-week forgiveness period begin with the PPP loan?

Answer: As of this writing, the only solid guidance we have on this question comes directly from the federal statute. The 8-week period begins after “the origination date of the loan.” Loan “origination” appears to be defined as the date all documents have been signed thereby creating the loan. In this case our best guess is that once you sign and submit the Promissory Note to your lender that will amount to “origination” and your 8-week period will begin to run.

Q1(a) – What are the issues with the timing of the 8-week forgiveness period?

Answer: During the 8-week period you can qualify for loan forgiveness if you meet several qualifications one of which is spending PPP funds on payroll and related costs, existing mortgages, rent payments, leases and utilities. If your PPP loan originates prior to your office reopening, you will be lacking the payroll costs to maximize the forgiveness feature – although you can certainly do your best with what payroll you have and you can pay yourself up to \$8,333 per month and perhaps a spouse active in the practice. You can also pay the other costs noted above.

Q1(b) – Should I delay filing my PPP Loan so that my practice is reopened (or close to reopening)?

Answer: If you wait to file, there is a risk that the funds will not be available at all. The Secretary of the Treasury and the President have both been adamant there will be another round of stimulus to increase funding to this currently \$349 billion assistance package. But how and when, we don’t know. If you wait to file and funds are available, then you may be in a better position to maximize your debt forgiveness spending. Of course, if funds run-out you lose out on both the cash and the potential for debt forgiveness. Quite the conundrum.

Q1(c) – What if I have already filed my PPP application and/or been approved?

In the latest guidance we have seen from the SBA (4/7/20) a regional office indicated that you and your lender only have five-days in which to originate the loan after SBA acceptance. If you do not complete and timely file your loan documents with your lender – the current guidance indicates that you will be removed from the system and would need to reapply.

Q1(d) – Which is the right strategy for me: apply now and perhaps not maximize the loan forgiveness spending, or wait and apply later in hopes funds are available, we get back to work, and can better maximize my forgiveness spending?

Answer: In keeping your focus on the worst-case scenario (a significant extension of your current non-emergency closure order) – is cash the most important thing to you or is maximizing debt forgiveness more important? Unless your finances (cash holdings) are quite robust – we would recommend applying now in order to optimize your cash position – even though this may mean a lower debt forgiveness amount.

Q1(e) – If I receive the funds before getting back to work can I pay my employees who are not working in order to maximize my debt forgiveness spending?

Answer: Yes; however, this will not be without cost to the employer. Federal FICA taxes withheld from employees and matched by the employer do not count toward forgiveness and therefore will cost the employer up to 15.3% of applicable gross wages.

Q1(f) – What else do I need to know about Debt Forgiveness?

Answer: In order to fully qualify for debt forgiveness your employee head count as of June 30, 2020 must be the same as prior to the Covid-19 time period or be subject to a percentage decrease in the debt forgiveness amount. Similarly, any employees making less than \$100,000 annually must not have their pay reduced by more than 25% or there is a percentage reduction in the debt forgiveness amount.

Note 1: There will be much more detail coming out on managing and documenting debt forgiveness spending and there will be a new application you will file with your lender after the 8-week period to request debt forgiveness (that to our knowledge does not exist as yet).

Q2 – Can I apply for the new Washington State Emergency Grant (Working Washington Small Business Emergency Grants)?

Answer: This program, announced yesterday, is through the Governor’s Strategic Reserve Fund and administered by the Washington State Department of Commerce with the help of county economic development organizations. If you have less than 10 employees and you have been in business for more than one year, then you may qualify. Businesses can use this money to pay for rent, utility bills, supplies, inventory and other operating expenses. The state’s website provides a pretty clear road map for the process and timing. This grant is on a first come first served basis, so filing early is to your advantage. To access the website and application [click here](#).

Q3 – Is the money from the PPP loan or the EIDL loan taxable?

Answer: No, money received by the practice as a loan that you are required to pay back is not taxable income. This should be recorded in your books as a loan.

Q4 – Is the amount of loan forgiveness related to the PPP loan taxable?

Answer: Normally any loan that is forgiven results in taxable income to you. However, for this particular loan and assuming it is made between March 1 and June 30, the loan forgiveness is not taxable income. Still record this loan as you would any other on your books. When the loan is “forgiven” we will adjust the books accordingly.

Q5 – Is the money from the EIDL grant (up to \$10,000) taxable?

Answer: We believe it is. This was in essence a loan for \$10,000 that was then forgiven (i.e. you don’t have to pay it back) and as such it is taxable income to you.

Q6 – Is the Practice Assistance Fund (PAF) Grant from Delta Dental taxable?

Answer: Similar to the grant for the EIDL loan, this income will be taxable to you. We recommend setting up a “Grant Income” account in your QB file and recording it as such.

Q7 – Is the money from the Delta Dental RAP (Reimbursement Program) taxable?

Answer: In short, yes, the funds with this program are simply an advance of future claims payment. This should be deposited and shown as patient income/revenue in your books.

Dental Group, LLC - We will be working both in the office and remotely in the coming weeks. Our meetings will be done via teleconference and or online collaboration. If you plan to drop off tax 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.

Our focus in the coming weeks will be on finishing tax returns such that if a refund is due to you, we can get that as quickly as possible; we are of course continuing to monitor developments so that we can be a resource to you in making decisions relative to your practice and personal finances.

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