



Covid-19 Resources

General Update – April 15, 2020

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.

Update #1. State Unemployment for Corporate Officers, Self-Employed and Independent Contractors

The State ESD website continues to list April 18¹ as the day they are targeting to release additional information about the enhanced unemployment benefits and who will be eligible. Once we receive guidance from the state, we will also need to coordinate with how this may impact the PPP Loan and forgiveness. We will update you when we know more.

Update #2. PPP Loan Calculation and Self Employed/Partner Income

On 4/14/2020 the SBA released special guidance for Self-Employed individuals and partnerships. To date, we have seen lender PPP applications that did not give Self-Employed dentists, filing Schedule C, or dentists operating in a partnership, the correct benefit for both payroll costs for staff and the additional self-employment income from Schedule C (self-employed) or Form K-1 (partners).

The new guidance makes it clear that both staff wages **and** proprietor or partner self-employed income (limited to the lesser \$100,000 or actual self-employed income) for sole proprietorships and the same for partnerships for each partner are allowed in the computation of payroll costs. This is determined by taking line 31 of your 2019 Schedule C income or Box 14 A of your Partner K-1 form (but no more than \$100,000 if more than that), dividing it by 12, then multiplying by 2.5. This potentially adds up to an additional \$20,833 to your loan amount.

Note: This may exclude any partners that are entities and taxed as an S-Corporation. If your partnership interest is held under your S-Corporation there is no self-employment income and you must file using your individual W-2 earnings. While the affiliation rules seem to indicate that just one application under the partnership is appropriate, filing separate applications for your Partnership and S-Corporation seems to have been permitted by banks as long as you disclose all related entities on the applications and do not include owner compensation twice for multiple applications.

If you have filed an application as a sole proprietor or partnership and were not able to include both of these elements in payroll costs (along with certain benefits and taxes) you should get in touch with your banker and bring their attention to **Page 6** of the SBA Guidance linked here. [Click here](#)

¹ Washington State Employment Security Department website 4/15/2020

Update #3. Loan Forgiveness Guidance for the Self-Employed and Partners

The forgiveness aspect of self-employment income was also addressed in the latest SBA guidance. Called “owner compensation replacement,” only eight weeks’ worth (8/52) of your 2019 self-employment income will be eligible for forgiveness according to the new guidance. Owner compensation is generally in the form of draws so you will need to determine and track just how much of your draws during the eight-week period is eligible for forgiveness. You will need to take line 31 of your 2019 Schedule C and divide by 52 weeks to determine what your maximum weekly draw amount should be for the forgiveness portion. Once again, a maximum of \$100,000 of annualized pay is allowed; which for eight weeks is capped as \$15,385 or \$1,923 per week. Some may notice that the maximum loan amount is higher than the forgiveness portion which is indeed correct, meaning it is possible that not all of your loan is forgiven unless spent on other qualifying costs under the program.

Update #4. EIDL Grant

We are seeing from multiple sources that the up to \$10,000 of EIDL Grants are hitting bank accounts. Please be sure to check your accounts for this deposit. When it arrives, it can go into your normal operating account. It does not need to be segregated to a separate account. We recommend you record this as “grant income” in your QB file. (You will need to set up a new “miscellaneous income” category for this).

Also, assuming you applied for the PPP loan and are seeking maximum forgiveness on the loan, be sure that you do not spend the EIDL grant money on any of the expenses that would be included in the PPP loan (payroll, employee benefits, owners wages or draws, rent, mortgage interest and utilities).

Update #5. EIDL Loan

We are also hearing of a few cases of EIDL loan proceeds being received. You will receive loan documents to sign before you get the proceeds. For these funds, additional bookkeeping will be required.

1. We recommend establishing a separate bank account for these proceeds.
2. The proceeds must be recorded as a loan in your books. If you do not know how to set this up, please call us and we will assist you.
3. Assuming you applied for the PPP loan (or intend to apply for it) and are seeking maximum forgiveness on the PPP loan, be sure that you do not spend the EIDL loan proceeds on any of the expenses that would be included in the PPP loan (payroll, employee benefits, owners wages or draws, rent, mortgage interest and utilities).

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.