



Covid-19 Resources

FAQs – April 29, 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. Below are the most recent questions we have been fielding.

We are delighted to report that there is at least some movement with the PPP loans. If you have received a PPP and/or EIDL loan, we ask that you send us the promissory note at your earliest convenience. If you have not received the promissory note yet, just email us with the amount so that we know you received it. Having that information will enable us to assist you in achieving the maximum forgiveness on your loans.

Q1. – Has there been any additional guidance on how to spend the loan proceeds and what will qualify for forgiveness?

Answer: Unfortunately, no. We had been told there would be additional guidance issued on April 27, but we have only seen minimal information from the SBA this week that does not address many of the questions still outstanding. We previously outlined what we know about loan forgiveness [here](#).

Among the questions we still do not have answers to include:

- If I have back rent due and I pay that all during the 8-week forgiveness period, will that all count as eligible expenses? Or is it only rent incurred during the 8 weeks? Can I prepay rent as an eligible expense?
- I have not fully funded my 2019 employer match or profit share. If I pay that during the 8-week period, will that be eligible for loan forgiveness? Or can I only pay 2020 costs and do I have to prorate that for 8/52 weeks?
- Will expenses that count towards the loan forgiveness be deductible for tax purposes? Normally, expenses incurred that are related to tax exempt income are not deductible. There is a special provision that makes the PPP loan forgiveness exempt from income tax. However, there has not been any mention of how the expenses will be treated for tax purposes.

These and many other questions are still being asked, and we hope to receive additional guidance soon.

Q2. – How do I decide whether to take the PPP loan versus utilize the Employee Retention Credit? When should I bring employees back to work versus letting them continue to utilize Unemployment Benefits?

Answer: As a reminder, it is important that both you and your employees answer and file any unemployment claims truthfully. Carefully consider any offers to employees to return to work and that it be for value you are

receiving since any offer of work must be reported by the employee on their weekly claim. The ESD has updated their COVID-19 information page to include questions and answers on returning to work which can be found [here](#).

Also remember that **accepting** the PPP loan precludes you from taking the Employee Retention Credit. We believe that in most cases (and assuming you can reopen on May 18th) the PPP loan will be a better choice, however if you are still contemplating whether to take the PPP loan, we recommend viewing this [PPP Loan Decision Tree](#) to help you decide. To further assist with that decision, utilize the [Excel Tool](#) on our website as that will help you to budget how much of the PPP loan might be forgiven.

If you are trying to decide when to rehire employees and bring them back, we recommend viewing the [PPP Spending Guide](#).

Q3. – Part of receiving the loan forgiveness assumes I have the same number of employees on June 30th. How does that work?

Answer: Full Time Equivalents (FTE's) and Salaries: Once you have established the qualified spending for loan forgiveness over your eight-week period (beginning on the date you first receive PPP Loan funds) it can be reduced based on employment numbers (FTE's) and/or reduced salaries.

The default measurement period for FTE's is during the 8-week period compared to either the period of February 15, 2019 to June 30, 2019 or January 1, 2020 to February 29, 2020. In almost all cases these measurement periods would be detrimental to Washington State dentists who are under non-emergency closure rules until May 18, 2020 (as it now stands).

Fortunately, the CARES Act statute contains an exception. Regardless of the timing of the 8-week period, you can use employee status as of June 30, 2020 in comparison to February 15, 2020 to compute your FTE's.

Full Time Equivalents: As noted elsewhere in this piece, we are still waiting on promised guidance from Treasury/SBA on many aspects of the PPP Loan Forgiveness Program including “their” interpretation of how to compute FTE's. Generically, you total the number of hours worked over some period of time and divide by 40 hours per week per employee. **Example:** As of February 15, 2020, you had six employees who averaged 36 hours per week or 216 total hours. We would divide that figure by 40 hours per week giving us a full-time equivalency of 5.4. We would compare that to the hours worked as of June 30 and if our FTE is at least 5.4 there is no reduction in the forgiveness amount. To the extent under 5.4 there would be a “like” percentage reduction in your loan forgiveness.

Wage or Salary Reductions: Like FTE's above there is also a rule that no employee hired back has wages or salary reductions of more than 25% as of June 30, 2020 as compared to their wage or salary as of the last full calendar quarter worked. This does not apply to those who earned the annualized equivalent of \$100,000 or more during any single pay-period during 2019.

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.