



Covid-19 Resources

FAQs – May 4, 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.

As we continue to wait for guidance on the PPP loan forgiveness, we felt it appropriate to share the following from Yogi Berra – *“It's tough to make predictions, especially about the future”*. So true in our case, when we lack long-promised guidance from the Treasury.

UPDATE: We updated our PPP loan tracker Excel book on our website. It now includes one worksheet showing you an example of how to use the spreadsheet, one worksheet which can be used to help you estimate the use of funds, and finally the worksheet that can be sure to track the actual usage of funds.

Q1. Will I be able to deduct the expenses paid using the PPP loan for tax purposes?

Answer: The IRS released guidance late last week clarifying that taxpayers are not permitted to deduct expenses that are normally deductible to the extent that those expenses were reimbursed by a PPP loan that was forgiven. This is in line with a long-standing tax principal that does not allow tax deductions allocable to tax exempt income to prevent “double dipping.” While the CARES Act explicitly states that the forgiveness of the loan will not be cancellation of debt income, it does not address the allowable deduction of expenses.

Since the release of this Notice, several legislators have come out disagreeing with the IRS that this was not the intent of Congress. The American Institute of Certified Public Accountants (AICPA) said: “In effect, the IRS guidance means that the taxability provision [Section 1106(i)] has no meaning. Why waste the ink to say that for purposes of the Code, the loan forgiveness is not includible in income, if the government will just take away deductions in the same amount?” They plan to seek legislative clarification, but without it the current position of the IRS stands. We will update you once we hear more on the issue.

Q2. How do I document my owner's draws if a sole proprietor or partner?

Answer: For entities other than S-Corporations, some may choose to run their draws through their payroll provider. This could be a good option for documenting your draws during the 8-week PPP period. Keep in mind that only up to \$100,000 of annualized draws (or \$15,385 total over 8 weeks) is eligible for PPP loan forgiveness. While most payroll providers are capable of reporting draws, talk with yours to see if this is an option. Also, be absolutely sure they do not pay you as a W-2 employee and withhold taxes on

the draw. Otherwise, the bank will most likely want to see some other form of documentation, such as cancelled checks or bank transfers.

Q3. I currently process payroll via QuickBooks and prepare my quarterly tax reports. Can I continue to do this?

Answer: We recommend you switch to a full-service payroll provider. With the added complexities that are likely to arise with your payroll reporting and the need for payroll reports for the PPP loan, taking and tracking credits for employee retention and other possibilities, we strongly recommend you utilize a full-service payroll provider. That could mean one of the traditional national companies or there are web-based providers that are less costly and integrate with QBO. Given the added complexity of payroll, we will not be able to support you regarding questions on QB / intuit payroll.

Q4. Should I file a claim with my insurance agent for Business Interruption?

Answer: Typically, a business owner will have some sort of business owners or commercial insurance policy that will include both property coverage and general liability insurance coverage for any claims arising out of their business operations—not to be confused with a professional liability policy. It is the property coverage in the policy that provides possible coverage for business interruption losses. If you haven't already filed a claim, then it might make sense for you to check with your lawyer about this option.

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.