



## Covid-19 Resources FAQs – June 8, 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.

### **Q1: Don't I have to make a tax payment on June 15<sup>th</sup>? How are we managing tax payments this year?**

**Answer – Part 1:** July 15<sup>th</sup> is the new due date for the 2019 Form 1040, IRA funding for 2019, your Q1 2020 estimated tax payment (formerly due April 15<sup>th</sup>) and your Q2 2020 estimated tax payment (formerly due June 15<sup>th</sup>).

**Answer – Part 2:** In order to avoid Internal Revenue Service underpayment penalties for 2020, you need to either match 110% of your 2019 tax **OR** pay in 90% of your actual 2020 tax through withholding, estimated tax payments or a combination of both.

**Note: Quarterly estimated payments apply to those who do not pay their estimated income taxes exclusively through salary withholding; however, the same rules apply to establishing salary withholding – the difference is timing (i.e. salary withholding is considered to be made ratably throughout the year – even if it isn't. (See corporate salaries at the bottom of this section).**

In most cases, historically, we would use 110% of last year as a safe estimate for your quarterly tax payments. However, given that 2020 income is likely to be lower than 2019, we would avoid this approach as it would result in overpayment of taxes. Instead, we recommend reviewing income from January 1 – May 31 and basing your Q1 and Q2 estimated tax payments on that information.

If we assist you with setting your quarterly estimates, then please have your QuickBooks (QB) file reconciled (bank and credit card accounts) as soon as possible and let us know when that is done. Our team is ready to get rolling on these calculations now!

**Recommendation :** If you make quarterly tax payments to the IRS, we recommend you sign up for EFTPS -<https://www.eftps.gov/eftps/direct/Help.page>. This will serve to establish a login through the Treasury Department to allow you to schedule and pay your tax payments to the IRS. The sign-up process can take a few weeks so we encourage you to set it up now so it will be ready when you need it.

**If you take a salary from your corporation,** we will do similar calculations but will have slightly more flexibility in that you can pay into your federal withholding at any point during the year. For corporations we will want your QB fully updated (see above) as soon as possible following June 30.

**Q2: What do I do about Q3 and Q4 estimated tax payments? I want to be sure that I am saving for these.**

**Answer:** As we work with you on your Q1 and Q2 estimates, we will need to discuss the best approach. If things are looking good in the practice (similar to 2019 for example), then we will likely recommend Q3 and Q4 estimated payments based on 2020 year-to-date income combined with projected income for the balance of the year at 2019 levels (adjusted as needed). We recommend working with your account manager closely to determine the best approach.

**Q3: I have been using the PPP funds but I fear that I may not be transferring the right amount into my operating account or that I might have mis-used the funds. Is this going to be a problem?**

**Answer:** While it is our recommendation that you segregate the PPP funds from your normal operating bank account, we are recommending that only to help you in tracking how much you have spent, how much is left to spend and to make the eventual application for forgiveness easier. It will be the information provided in the application along with the supporting documents that ultimately will be used to calculate the amount of forgiveness on this loan (along with the other requirements related to FTE calculation and maintaining employee wages). So, we recommend you try to keep the bookkeeping accurate, but if there are any minor mistakes, it is something that will be adjusted with the application for forgiveness.

**Q4: I am approved for the EIDL loan but have not signed documents yet. Should I take that loan?**

**Answer:** We would view the EIDL loan as a true emergency loan that will come with onerous limitations for you and the practice. Remember that the EIDL loan is intended to be used for working capital and that typically will not include refinancing other debt, equipment purchases, owner draws or distributions. If you have other sources of financing, we would look to those first. And, again, if you think you want to go this way, we encourage you to have your attorney review the document before signing.

**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.