DG Advisors LLC
Proactive Tax & Profitability Solutions™
A DENTAL GROUP COMPANY

Updated August 19, 2021

Covid-19 Resources

FAQs – August 19, 2021

Thankfully most in the Dental Profession are seeing a strong recovery from the closure last year and many of the small business stimulus and relief packages are winding down. However, there remain a few items that we don't want to lose track of. Providing you the answers and guidance on the remaining steps related to aid packages remains a high priority for us. Our goal is to get you answers and information that allow you to get back to running your practice and caring for your patients. Below are the most recent questions we have been fielding.

Q1 – I deferred the payment of payroll taxes last year under the CARES Act. What do I do?

Under the CARES Act Employers were allowed to defer payment of the employer's share of the Social Security Tax – part of your normal payroll taxes - during 2020. Your payroll processor may have given you the option to opt in or out when you were first eligible. We recommended against deferring these payroll taxes.

Nonetheless, if you opted to defer these taxes, which would have started back in March of 2020, you should expect to receive IRS notices for each quarter you had deferred taxes. Potentially up to four notices for each quarter. It is a reminder that you must pay 50% by 12/31/2021 and the remaining half by 12/31/2022 to avoid penalties and interest. Be sure to verify the deferred tax amount from the IRS Notice to your payroll reports to confirm the amounts expected by the IRS match your payroll records.

Note: Gusto (and any other payroll company as far as we are aware) is not making these tax payments; you are ultimately responsible for paying these back on your own. ***Therefore, we recommend paying the full balance ASAP via EFTPS for each corresponding quarter to get this out of the way so as to not miss any of these payments and deadlines – if your cash flow allows.*** If you are unsure if your specific payroll processor will pay these deferred payroll taxes, be sure to contact them to confirm.

Notice 3064C - Deferred Payroll Taxes – Form 941 - The IRS has begun to send out various notices to taxpayers regarding this liability. Be sure to forward any notice received to your account manager so we can review and assist you with any action you may be required to take.

Q2 – Any updates on applying for PPP forgiveness? Should I also apply for forgiveness on my second PPP loan?

By now we have completed nearly all of the Employee Retention Credit calculations, so there should no longer be any reasons for delaying your forgiveness application on Round 1 PPP loans. Furthermore, the end of the deferment period on payments is likely near, so if you have not yet applied for forgiveness, you should do so as soon as possible. (As an example, if you received the funds from your first loan on May 15, 2020, the end of the 24-week period to use the funds was October 29, 2020. You then have 10 months to apply for forgiveness until your first payment is due, which would be August 29, 2021).

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As we do not anticipate the Employee Retention Credit impacting the second round of PPP loans (see Question 3 below), you should be able to apply for forgiveness on your second loan once the 24-week period has ended and your bank is ready to accept applications. Assuming your first loan has been forgiven, the process for round 2 should be fairly similar. You have likely spent more than enough on payroll costs, so you should not need to use any of the other eligible expense categories (rent, utilities, etc.). One difference might be that the SBA has made it easier for more banks to use the SBA forgiveness portal instead of each bank having to use their own system. Check with your bank to see how they would prefer you to apply for forgiveness.

Q3 – What do I need to know about the Employee Retention Credit (ERC)?

Tax Year 2020: We have had great success helping dentists calculate and prepare retroactive ERC claims for 2020 and optimizing between the ERC and PPP Forgiveness due to their interaction of qualified wages.

Most dentists qualified for the 2020 credit for either (1) a full or partial suspension of operations due to a governmental order, or (2) the business experiencing a significant decline in gross receipts (a 50% decline or more in a given quarter compared to the same quarter in 2019). For most, this was either during the WA shutdown period or for Q2 and/or Q3. However, most if not all dentists recovered in Q4 and were no longer eligible for the ERC.

As a reminder, the IRS continues to be backlogged and processing ERC claims may take several more months given these claims must be paper filed (Form(s) 941-X). In addition to mailing off the paper filing for the ERC refund, **many of you would have also been required to file amended income tax returns. In addition to sending back your signed 8879 for the amended income tax returns, please be sure to review the Amended Instructions letter posted in your TaxCaddy account and be sure to pay the additional income tax due ASAP to avoid delays and additional interest from accruing.**

Tax Year 2021: The ERC has been expanded into tax year 2021 but with some changes. The maximum credit amount has been increased from $5,000 per employee for all of 2020 combined to $7,000 per employee per quarter. This is calculated as 70% of qualified wages paid during the quarter, with a maximum wage base of $10,000 per employee. The $7,000 maximum ERC is per quarter.

To be eligible in 2021, the same eligibility rules apply except that the significant decline in gross receipts has been modified. Now it is a decline of 20% or more in gross receipts when comparing corresponding quarters in 2021 and 2019. Alternatively, you can elect to use the immediately preceding quarter. For example, for determining if the gross receipts test is met in 2021 Q1, the employer may elect to compare 2020 Q4 gross receipts to 2019 Q4 gross receipts.

As mentioned, most dental practices have recovered and most likely won't qualify for the ERC in 2021 so, we will not be actively reviewing your eligibility or reaching out as was done for 2020. If, however, you review your Q1 2021 collections and see a more then 20% drop compared to Q1 2019 or Q4 of 2020 we can certainly assist you as we did for the 2020 credit – in confirming and calculating the numbers and optimizing your PPP2 forgiveness. ***Important:*** *As with the 2020 ERC, the credit can only be applied to wages that are not forgiven or expected to be forgiven under PPP (which includes any PPP2 proceeds*

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

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received in 2021). Therefore, we continue to recommend you reach out to us if you are eligible and wanting to pursue the 2021 ERC.

Q4 – What do I need to know about the HHS Provider Relief Fund Reporting?

The first reporting period is open now with reporting due by September 30, 2021. This is only for practices that received funds from April 10, 2020 to June 30, 2020. Most dental practices were not eligible in that period and only a few Medicaid/DHS practices would have qualified and received any PRF funds on or before June 30, 2020. If you are unsure, be sure to check your bank records and verify when you received your first funds from HHS to confirm. If you do fall within the first reporting window, we are asking for volunteers to have us go through the portal process with you.

The Second reporting period will open on January 1, 2022 and will be due by March 31st. This is for anyone who received HHS funds from July 1, 2020 – December 31, 2020.

Q5 – What is the status of Long-Term Care and Washington State Tax?

Starting with payrolls paid in 2022, virtually all Washington workers who receive a Form W-2 will be subject to a .58% Long-term Care Tax. Put in perspective, this tax equals $580 per $100,000 of gross wages. In order to qualify for coverage under the state plan, with one exception, you must pay into the plan for a minimum of 10-years and you must maintain Washington State residency. The grand total coverage is $36,500 ($100 dollars per day for one year).

The only formal way to opt out is to file for an exemption. To qualify, you must have an equivalent or better private long-term care policy that is dated prior to November 1, 2021. If you already have long-term care coverage that equals or exceeds the state plan, there will be a process for submitting those starting October 1, 2021. This is a one-time opt out exemption.

Can I still Obtain a Plan in Time? Probably not. Almost all long-term care policy issuers have pulled out of Washington State as of last Friday. We are aware of one remaining issuer who this week raised the minimum amount of coverage required and will no longer sell plans to those under age 40. We are also informed that there are no guarantees that a policy can be issued prior to November 1. Keep in mind, there may be other issuing companies – of which we are not aware.

Q6 – Any updates on the new tax bill?

On August 9, 2021 the Senate Budget Committee put forward a “Budget Resolution Agreement Framework” for $3.5 trillion in spending toward the “Build Back Better” agenda. To pay for this bill in part, taxes will be increased on families making more than $400,000 per year, corporate tax rates raised and potentially taxing capital gains at 39.6% (43.4% if subject to the Net Investment Income Tax) when total income for a tax year exceeds $1,000,000. There are no real details at this time other than what the administration laid out last April – which in short is capsulized above. The expectation is that Congress will take this bill up after they return from summer break in mid-September. As details become available, we will be updating you.

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