



Dental Industry Update

Time Sensitive Information re: PPP Loan Applications

Tips to help you navigate the process

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According to the American Bankers Association, as of April 12 approximately \$205 Billion had been processed and approved in Payroll Protection Program (PPP) loans, out of the \$349 Billion appropriated through the CARES Act, signed by President Trump on March 27.

Today on our weekly webinar with Eide Bailly, presenter Megan Mortimer, Congressional Lobbyist for the American Dental Association, indicated that **it is projected that the funds appropriated for the PPP could run out as early as Thursday, April 16**. This is based on information she received directly from Treasury Department and her sources on Capitol Hill.

There is serious discussion in Congress to appropriate an additional significant amount for the program; however, according to Megan there are other issues being discussed as part of an additional stimulus program. As of this writing there is no agreement for additional funding for the PPP program.

If you have not yet applied but intend to, it is our recommendation that you apply as soon as possible.

Also, the SBA published additional interim guidance today that addressed in particular partnerships and sole proprietorships. This can be found at www.treasury.gov, click the COVID-19 link. The update under "Tools" can be found by clicking the link titled "Interim Final Rule – Additional Eligibility Criteria and Requirement for Certain Pledges of Loans".

The most important points of this interim guidance is as follows:

- If you operate your business as a partnership, your income as a partner up to \$100,000 for 2019 may be and should be included as part of payroll costs for the entire partnership. For example, if a two person dental partnership had annual payroll costs for their employees of \$500,000 in 2019 and each partner earned \$170,000 in K-1 income, then the total payroll costs submitted to the bank and SBA would be \$700,000 - which are the payroll costs of \$500,000 for your employees and \$100,000 for each of the two partners.

- The interim guidance explains how to calculate for a sole proprietor the amount to be applied for in the PPP loan, how it is to be used, and how much would be forgiven. The main take away from this document is that the amount that can be applied for, used, and forgiven does include up to \$100,000 of compensation (Schedule C net income) for the owner, but does not include the owner's portion of retirement plan contribution and health insurance. In reading the Frequently Asked Questions for shareholders and employees of a corporation issued by the SBA, it is made clear that you do include employer pension and health insurance, so this guidance for sole proprietors appears to me to contradict the Frequently Asked Questions. Also no mention of whether a partner can include their benefits in the calculation of applying for the loan, using the funds or forgiveness is made in this interim guidance that came out today.

For now, we are expecting and hoping for specific guidance from the SBA on exactly how the money is used, as well as what the specific rules are to obtain the maximum forgiveness during the eight week period. The SBA is required to provide this no later than April 27; however, we need it sooner than that.

The American Dental Association wrote a letter to the majority and minority leaders of the House of Representatives and the Senate on Friday of last week asking that they allow dentists to choose the date that they can begin the eight week period measuring forgiveness of PPP loan proceeds.

We will continue to stay on top of developments on the PPP and EIDL loans and keep you posted.