



Dental Industry Update

Payroll Protection Program Application

Tips to help you navigate the process

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As you have probably heard, the Federal Government and the U.S. Small Business Administration has rolled out the Payroll Protection Program (PPP). The purpose of this e-mail is to provide you with up to the minute information so you are able to complete the application and provide the necessary information to secure your place in line to apply for this loan.

Following are important points to keep in mind:

- First and foremost, you should apply with the bank where you have your practice operating account. This loan will be made through banks, not through the SBA website, as was the case for the Economic Injury Disaster Loan (EIDL). Virtually all of the banks have indicated that they are going to service their customers first, and in we believe most all cases will not be accepting applications from business owners who are not current bank customers. You need to call your bank and make sure that they are participating in the PPP program. It is our understanding that most all banks will participate. However, as of today, many of the banks do not yet have the capability to accept applications on their websites. Check your bank's website.
- On April 2, 2020 at approximately 7PM, the SBA provided a 31 page document with guidance as to how the program works. It does not answer all of the questions but provides what we believe is enough guidance that if you choose to apply now, you can do the required calculations and provide the required information. As noted in this document, the \$349 Billion approved by Congress through the CARES Act will be lent on a "First Come, First Serve" basis. If you choose to apply you should do so as soon as possible. PLEASE NOTE THAT THE SBA WILL BE ISSUING ADDITIONAL GUIDANCE ON THIS PROGRAM. HOWEVER IF YOU ARE CONCERNED ABOUT THE FUNDS RUNNING OUT, WE BELIEVE MANY BUSINESS OWNERS WILL APPLY QUICKLY. WE CANNOT TELL YOU HOW LONG THE AMOUNT APPROPRIATED WILL LAST.

- The application form is [SBA Form 2483](#). Follow the link to see the form and all of the rules. It is our understanding that most banks will have this form online and you will complete the application online. They have streamlined the process, which we'll walk you through in this memo. AGAIN, IT IS VERY IMPORTANT FOR YOU TO COMMUNICATE WITH YOUR BANK TO SEE HOW THEY ARE GOING TO REQUIRE YOU TO PROVIDE THEM THE INFORMATION THEY NEED TO UNDERWRITE THE LOAN FOR YOU.
- Please be sure to answer the questions truthfully. Note: One of the boxes you are checking indicates that if you use the funds for purposes that are not the intended use as stated in the law, the Federal government may hold you liable, such as for charges of fraud.

There are two calculations you are going to need to perform:

- **Average Monthly Payroll:** All of the major payroll services have portals that have accumulated this information for you. If you are unsure please contact your payroll representative and they can assist you in obtaining the information discussed below.
 - According to the instructions on the form, you should use wages from your 2019 year-end payroll reports. This should include wages for regular compensation, bonuses, PTO, vacation and sick time for all of your W-2 employees. In most cases this will be the number in Box 5 of Form W-3, unless the number in Box 1 of Form 940 is larger. Your compensation shown in Box 1 is reduced for your employees' 401(k) contributions (if you have one). (You do not want to use that number because if you have a 401(k) plan the amount that line 1 is reduced by is part of employee wages.)
 - You are only allowed to take into account the W-2 wages for any employees (including the doctor owner and associate doctors) up to \$100,000. For example, if you have four employees whose W-2 compensation is \$50,000 each and the doctor earned \$200,000, the total W-2 wages would be $\$50,000 \times 4 = \$200,000$ plus \$100,000 for the doctor for a total of \$300,000. So from the amount on the payroll reports, subtract any wages paid to any employee including the owner/doctor in excess of \$100,000 for each employee.
 - Add to that any state payroll taxes (mostly state unemployment insurance premiums) paid by the practice. This can be found on your quarterly state payroll tax forms. Do not add Federal payroll taxes as they are not permitted to be included in this calculation.
 - Add to that the employee health insurance premiums (including the doctor if he or she is an employee) paid by the practice. This is only the net amount after any payroll deductions from employees. For example, if your total practice health insurance premiums including all employees and doctor/owner are \$2,000 per month and your employees have 60% withheld from their salaries, the net you are actually paying is \$800 per month.

- Retirement plan contributions: *If you have completed your returns for 2019*, add the amount shown as a deduction on your 2019 corporate or individual or partnership tax returns. On the accompanying spreadsheet, reference Line 3. *If you have not completed your 2019 returns* and you do not yet know what your contribution will be, we believe a very reasonable calculation for this portion would be for you to include the amount you paid in 2019, whether it was for 2018 or for 2019. We are just not sure as there is no guidance.

For example, if you are matching on a monthly basis during 2019 and your safe harbor match of 3% in 2019 is \$15,000, you would use that. Also if you paid employee amounts that were for the 2018 tax year but were paid by the due date of the returns, including or not including extensions, that would be added as well. We are also taking the position based on the law and SBA guidance that the doctor's retirement plan contribution is allowed in the computation, in addition to his health insurance and \$100,000 in his or her wages. The banks may not agree, but that is our interpretation.

- You will need to add the amount of any EIDL loan you have obtained after January 31st that will be refinanced under this program. To the best of our knowledge, we are not aware of anyone who has received one of these loans, but if you have, you must add it in. It is highly unlikely this will apply to you.
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- If you are a sole proprietor, single member LLC, or independent contractor, generally speaking all of these types of entities file Schedule C. You will put in any wages paid to employees in the wage line and then will add in your net income from Schedule C, capped at \$100,000.
- You will then have your total payroll costs for the year.
- Divide that number by 12 and enter that figure on the application to the right of: "Average Monthly Payroll".
- Multiply your average monthly payroll by 2.5 and enter this amount in the next box.
- **Number of Employees:** While this definition has changed, we recommend that you note your total number of employees. This would be anyone whom you are paying as an employee in your practice regardless of the hours. Again, if the bank wants different information, we feel they will ask for it.

Also included in this email is a link to a spreadsheet you can use for your computations. Again, contact your bank or look at their online instructions to see what they require. We believe that the calculations have been simplified from earlier versions. Be aware that the banks are having a very difficult time preparing for this, and ultimately will have difficulty in processing the millions of applications that are coming through. Many banks are not ready at all, and the ones that are will be inundated. Please be patient - this situation is changing rapidly.

We are here to help you in this very challenging time.