

Fact Sheet: Small Business Administration Loans for Dentists

American Dental Association and Academy of Dental CPAs • October 13, 2020

On March 27, the Senate and House passed the Coronavirus Aid, Relief and Economic Security (CARES) Act and it was signed by the President. Following passage, guidance and interim rules for this new law continue to become available. To advise dentists on the options available to them, both of our associations have been working hard to clarify the guidance and rules to assist with the economic hardship that the dental profession is facing during this crisis and beyond.

There are multiple Small Business Administration (SBA) loan options available for employers. There has been a lot of confusion about not being eligible for the new Paycheck Protection Program (PPP) loan if you already have an Economic Injury Disaster Loan (EIDL). That is not correct; you can apply for both and have both, but you cannot use the proceeds for the same purpose. You should also consult with your financial advisors to determine whether the tax credit provisions created by the CARES Act might be a good fit for your individual practice.

On June 3, the Paycheck Protection Program Flexibility Act passed Congress. This bill, which included many provisions supported by the ADA, would provide additional flexibility for PPP loans. The ADA will continue to advocate for PPP flexibility and will monitor developments as Congress develops the next COVID-19 relief package. On July 1 Congress passed a bill to extend the deadline to apply for a PPP loan from June 30, 2020 to August 8, 2020. The ADA continues to advocate for easing the process for forgiveness and for a second round of PPP loans for eligible businesses, including dental practices regardless of whether they have already received PPP loan funds.

Below is a quick recap of the loans affected by the CARES Act and the updates provided by the Paycheck Protection Program Flexibility Act:

Paycheck Protection Program (PPP) Loan - Section 7(a) of SBA

- Beginning April 3, small businesses and sole proprietorships were allowed to apply for PPP loans.
- These loans are provided on a first come, first served basis.
- On April 23, Congress provided an additional \$310 billion for these loans after the initial \$349 billion was exhausted.
- For PPP loans received before June 5, the terms are: 1% interest, up to 2-year repayment, no payments until the lender makes a determination regarding forgiveness but interest will accrue; however those borrowers can negotiate with their lenders to expand the loan's maturity to up to 5 years. Any loans received after June 5 will automatically be given a 5-year repayment term.
- Further, the borrower will need to begin to make payment if they do not submit an application for forgiveness within 10 months after the forgiveness period.
- Lenders are expected to provide loan dollars to the borrower within 10 days of loan approval.
- Loan proceeds are limited to 2.5 times the average monthly payroll costs (employee wages, health insurance, PTO, retirement benefits and state or local payroll taxes assessed on compensation of

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employees) and do not include federal payroll taxes. This includes employee/owner compensation up to \$100,000 annually.

- There will be an amount eligible for forgiveness—this amount must be calculated and cannot exceed the sum of the payroll costs, mortgage interest, rent and certain utility payments within the 24-week period following funding.
 - Amount of loan forgiveness is contingent on you spending no less than 60% of the loan amount on payroll costs
 - Your loan forgiveness amount will also be reduced proportionally based on reduced number of employees by the end of the 24-week period unless you can show that:
 - There are no eligible candidates available in your area for rehire to replace workers who were your employees on February 15 but chose not to return to work or;
 - You can document that your practice is unable to return to the same level of business activity due to guidelines issued by certain government agencies and due to requirements relating to sanitation, social distancing or any other worker or customer safety requirement related to COVID-19 that illustrates why a reduction in the number of employees is appropriate.
 - Employees' compensation during the covered period cannot be reduced by more than 25%.
 - Maximum amount of salary for forgiveness for the owner is \$20,833. Maximum amount of salary for forgiveness per employee is \$46,154.
 - You can pay your employees bonuses if needed to reach the 60% payroll costs threshold.
- You can opt to choose an “Alternative Payroll Covered Period,” that aligns with your payroll. Borrowers with a biweekly (or more frequent) payroll schedule may elect to begin the 24-week (168-day) period that begins on the first day of their first pay period that occurs after they receive their PPP funds.
- You can include payroll costs that are paid *or* incurred during the 24-week period.
- You can choose your loan period. Anywhere from 8-24 weeks. You will still receive the same loan amount (2.5 times your average monthly payroll), but you may choose how long you would like to spend that.
- If you extend a rehire offer to an employee and they refuse, they will not be counted toward your full-time employees or equivalent for determining loan forgiveness. Just be sure to document the rehire offer and rejection.
 - Further, if an employee refuses to return to work and is receiving unemployment benefits, you must notify your state unemployment office about the employee's refusal within 30 days.

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- Independent contractor employees (1099s) are eligible for their own PPP loans and therefore, payments made to them cannot be included in any loan forgiveness for payroll for the employer/owner.
- To seek forgiveness, documentation will be provided to the lender that includes the qualified expenses during the 24-week period subsequent to receiving the loan funds.
- If you use your EIDL loan for payroll costs, you must refinance your EIDL into the PPP loan.
- You are not prohibited from obtaining both PPP and EIDL loans regardless of when you receive either loan dollars.
- If you decided to take the Employee Retention Tax Credit that was created by the CARES Act, you cannot take out a PPP loan.
 - Any forgiveness granted on a Paycheck Protection Program loan will be reduced by the amount of any EIDL grant you received.
- Even if you receive a PPP loan, you can defer the employer portion of the FICA payroll taxes for 2020. Any employer payroll taxes deferred through the end of 2020 must be paid 50% no later than December 31, 2021 and 50% no later than December 31, 2022.
- You must apply for forgiveness no later than ten months after the end of your 24-week covered period.
- You must apply for a loan under this program no later than August 8, 2020.
- A publically available database will report all borrowers and amount of PPP loans received.
- There are now three versions of PPP loan forgiveness applications.
 - Streamlined application for loans under \$50,000, found [here](#).
 - Simplified “EZ” application for loans \$50,000 or more, found [here](#).
 - Lengthier application for borrowers that may not meet all the requirements for full PPP loan forgiveness found [here](#).
- Please read the instructions for each to determine which application is best suited for your practice.

Economic Injury Disaster Loan (EIDL) - Section 7(b) of SBA

- It is ONLY available through the SBA website.
- Please use this link to be processed for an application online:
<https://covid19relief.sba.gov/#/>
- The amount of EIDL grant money is \$1,000 per employee with a max of \$10,000, however new applicants are no longer able to receive an EIDL grant due to lack of funding.
- This grant will not have to be repaid even if you are not approved for the EIDL loan.

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- Only \$10 billion is set aside for the grant program, and the grants are to be given out first come, first served. On April 23, Congress provided an additional \$50 billion for EIDL loans and \$10 billion for the EIDL grants.
- Any forgiveness granted on a Paycheck Protection Program loan will be reduced by the amount of any EIDL grant received.
- For the EIDL loans, the terms are: 3.75% interest, up to 30-year repayment, 12 months no payments but interest will accrue.
- The credit score of the applicant is the primary factor in approval, as well as a practice's annual collections and annual expenses.
- The SBA will determine the amount of an EIDL loan, and the loan is available to pay for working capital expenses that could have been met had the disaster not occurred, including payroll and other operating expenses. However, we encourage you to use these loans for costs other than payroll if you plan on receiving a PPP loan, as described above.
- The EIDL loan cannot be used for debt retirement, capital acquisitions or tax liabilities.
- Currently the SBA has capped EIDL loans amounts at \$150,000.
- For any EIDL loan made under this program, no personal guarantee will be required on loans up to \$200,000.
- If you receive EIDL money and you intend to also apply for the PPP loan, please consult with your financial advisor to develop an efficient plan for the use of the loan proceeds.
- It is important to thoroughly review the loan documents before agreeing to the loan. We recommend that you review them with your financial advisor.

The ADA greatly appreciates its partnership with the [Academy of Dental CPAs](#), which has allowed us to bring you the latest and best information available to make your practice decisions. We know and understand the concerns you have; not only financially, but also the related health concerns created by the current pandemic. Please understand the ADA and the ADCPA will continue to assess matters, as they progress, and if we feel there is a need for an update to this correspondence, we will certainly will take that into consideration. Please be sure to consult with your tax or financial advisor on all financial practice decisions.