

Paycheck Protection Program (PPP) Loans and Dental Practices

The ADA is recommending that dental practices seriously consider applying for a Paycheck Protection Program (PPP) loan, also known as a 7(a) loan. The ADA has consulted with many financial advisors and dental CPAs and they will be recommending that their clients consider applying for PPP loans.

The PPP loans have greater flexibility and applicability than traditional 7(a) loans. The PPP loans were created when President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law on March 27. Since that time, the federal government has been working at an accelerated pace to develop guidance and regulations for implementation. The ADA has been receiving updated guidance on a daily basis, and we've attempted to ensure that our members are receiving the latest information on the PPP and other loan programs.

The small business loan and tax provisions within the CARES Act were intended to incentivize small business owners to rehire their employees in a timely manner. To incentivize this, favorable loan terms and a loan forgiveness component for the PPP loans were created. In order to take advantage of the full loan forgiveness provision, dental practices must rehire at least 75% of their employees by June 30, 2020. This may not be possible for some dental practices, but we encourage dental practices to consult with their financial advisors to consider the cost-benefit of receiving a PPP loan.

You can apply for a PPP loan until June 30, 2020; however, the Department of Treasury is encouraging borrowers to apply as quickly as possible because there is a funding cap and lenders will need time to process your loan application. Although Congress approved an additional \$310 billion for this program on April 23, these additional funds will be exhausted quickly.

Below you will find a series of questions and answers to assist you on how to apply that will also provide an understanding of PPP loan terms and forgiveness provisions. As always, we recommend that you consult with your financial advisors to determine if this loan would be the best fit for you and your practice.

Q&A

What types of dental practices can apply for this loan?

All practices with 500 or fewer employees, S-corps, sole proprietorships, self-employed individuals and independent contractors.

When can I apply?

On April 3, small businesses and sole proprietorship dental practices could start applying. On April 10, independent contractors (1099) and self-employed dentists can apply.

How do I apply?

Dentists will need to apply through a Small Business Administration (SBA) preferred lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. You can search for a preferred lender [here](#).

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What does the loan application look like?

Financial institutions may put out their own branded form, but a sample PPP application released from the Department of Treasury can be found [here](#). We recommend using this application as a “practice” so that you can be well prepared when you seek the loan through a lender.

How much can I borrow?

Up to \$10 million dollars.

How is the loan amount determined?

The amount you will receive for your practice is based on your payroll costs. The amount you qualify for is based on 2.5 times your average monthly payroll costs. This monthly average payroll will be calculated based on your prior 12 months of payroll costs. You take that average monthly payroll number and multiply it by 2.5. For example, if your monthly average payroll was \$10,000, then you would qualify for a \$25,000 PPP loan.

When will I receive the loan?

Processing times across lenders will vary given their ability to process the large amounts of loans being requested. However, once your loan is approved, the bank must provide you with the loan dollars within 10 days.

What do payroll costs include?

Payroll costs include salary, wages, commissions, payment of vacation, sick, parental/family/medical leave, payment of retirement contributions, group health coverage premiums and state and local taxes assessed on payroll.

What doesn't this include?

Federal payroll taxes and any salary paid to an independent contractor since they can apply for their own PPP loan. There is also a cap on the annual salary amounts for employees and employer/owner dentists of \$100,000. Owner/employer dentists cannot include health care benefit costs for themselves.

How does the \$100,000 salary cap work?

The payroll loan forgiveness is only applicable to salary amounts up to \$100,000. For example, if you are an employer dentist and you pay yourself a salary that exceed \$100,000, you will only be able to receive loan forgiveness for the monthly salary amount that would equal \$100,000 annually.

- \$15,385 would be the top-level amount that you could claim for salary or wages for forgiveness for any employee or employer/owner.

How does the loan forgiveness work?

You can be forgiven for the loan amount you use for payroll costs, mortgage interest, rent and utilities payments over the **8 weeks** after receiving proceeds from the loan. The practice can only spend 25% of the loan during the 8-week period on non-payroll costs in order to receive the best loan forgiveness benefits.

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Key loan forgiveness terms are:

- Loan forgiveness amounts will be reduced if you decrease your full-time employee headcount.
- Loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- PPP loans are only available until June 30 and the covered period ends June 30, which means that you must have 75% of your payroll restored by June 30 regardless of when you received the loan. For example, if receive the loan June 15, your 8-week period for forgiveness will end August 13, but you will have to have 75% reemployment by June 30 to receive full loan forgiveness.
- Any Economic Injury Disaster Loan (EIDL) grant/advance that you received from SBA will be deducted from the dollar amount that can be forgiven for the PPP loan.

How do I apply for the loan forgiveness?

You will submit the loan forgiveness request with the lender that supplied you with the loan. You will need to include documentation that verifies the number of full-time (or full-time equivalent) employees and pay rates, and payments on eligible mortgage, lease and utilities. The lender must make a decision on the forgiveness within 60 days.

For any portion of the loan that is not forgiven, what are the loan terms?

Terms: 1% interest, up to 2-year repayment, 6 months no payments.

When do I need to start paying interest on my loan?

All payments are deferred for 6 months; however, interest will continue to accrue over this period.

Are their prepayment penalties?

There are no prepayment penalties or fees.

Do I need to pledge any collateral for these loans?

No.

Do I need to personally guarantee this loan?

*No.

****However, if the proceeds are used for fraudulent purposes, the U.S. government will pursue criminal charges against you.***

If I've taken out an EIDL, can I still apply for the PPP loan?

Yes. We recommend that you use as much of the EIDL loans as you can to pay for operating cost others than payroll. This will ensure the best possible outcome for loan forgiveness for PPP loans. If you do use your EIDL loan for payroll costs, you will have to roll it into the PPP loan.

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Shouldn't I wait to take out a PPP loan until I have decided to or am allowed to-reopen my practice?

Not necessarily. There is a finite amount of money currently available for these loans and they are first come, first served. Although additional funding for this program has been allocated the funds are expected to run out quickly. You must also bring your payroll up to 75% of what it was pre-crisis by June 30, 2020. So please be sure to apply for your loans at least before that date.

If I took out a PPP loan can I also take advantage of the Employee Retention Tax credit that was created by the CARES Act?

No. You must choose either the PPP loan or the tax credit. However you can take the Employee Retention Tax credit if you only received an EIDL loan.

Again the ADA encourages you to work with your financial advisor to determine the best options for your practice during these difficult times. We will continue to update this documents as additional guidance becomes available.