

September 29, 2020

The Honorable Nydia Velazquez
Chair, Small Business Committee
U.S. House of Representatives
2302 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Steve Chabot
Ranking Member, Small Business Committee
U.S. House of Representatives
2408 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Andy Kim
Chair, Subcommittee on Economic
Growth, Tax, and Capital Access
U.S. House of Representatives
1516 Longworth House Office Building
Washington, D.C. 20515

The Honorable Kevin Hern
Ranking Member, Subcommittee on
Economic Growth, Tax, and Capital Access
U.S. House of Representatives
1019 Longworth House Office Building
Washington, D.C. 20515

Dear Chairmen Velázquez and Kim and Ranking Members Chabot and Hern:

On behalf of our 163,000 dentist members, the American Dental Association (ADA) would like to thank the Subcommittee on Economic Growth, Tax, and Capital Access for holding a hearing on Paycheck Protection Program (PPP) forgiveness.

At a time when dental practices are trying to overcome the economic downturn caused by COVID-19, the Paycheck Protection Small Business Forgiveness Act (H.R. 7777) would provide forgiveness for PPP loans of less than \$150,000 and would help practices stay open, retain their employees, and provide their patients with much-needed care. The approximately 4.2 million PPP loans of \$150,000 and under accounted for 85 percent of total PPP recipients. Expediting the loan forgiveness process for these hard-hit businesses could save small businesses and lenders many hours of paperwork and nearly \$2 billion nationwide.

In addition to easing forgiveness for PPP loans, there are a number of related tax bills that we feel could be extremely beneficial to small businesses. We ask that discussions on COVID-19 relief legislation include the consideration of tax legislation that will further assist dental practices with recovering from the economic calamity caused by the pandemic. Although these bills may not be under the jurisdiction of the House Small Business Committee, as the lead legislators tasked with ensuring that small businesses receive the support they need, we respectfully request that you support the legislative initiatives outlined below.

The Small Business Expense Protection Act (H.R. 6821) would ensure that small businesses can deduct eligible expenses paid with a forgiven PPP loan from their taxes. When Congress approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act, PPP loans were designed to help small businesses survive major liquidity shortfalls,

retain employees, and withstand an unprecedented economic disruption due to the COVID-19 pandemic. However, the Internal Revenue Service's (IRS) Notice 2020-32 undermines the PPP and creates a challenge for small businesses by stating that normally deductible business expenses will not be deductible if the business pays the expense with a PPP loan that is subsequently forgiven. H.R. 6821 will fix this misinterpretation and reestablish the ability of small businesses that have received PPP loans to deduct business expenses as the CARES Act intends. Without this relief, millions of small businesses, including dental practices, will face significant tax liabilities at a time when they can least afford additional financial burdens.

In order to safeguard patients, their staff, and themselves from the spread of COVID-19, dentists have implemented new infection control procedures and are utilizing enhanced personal protective equipment (PPE). The costs of these health and safety efforts are having a considerable economic impact on small businesses. It is for that reason that the ADA supports the Small Business Personal Protective Equipment Tax Credit Act (H.R. 7216). This bipartisan bill would provide a much-needed tax credit for the purchase of PPE intended to reduce the risk of COVID-19 transmission for small businesses. H.R. 7216 would provide small business dental practices with a \$25,000 tax credit for PPE such as gloves, medical masks, N-95 respirators, eye protection, gowns and aprons, and cleaning products, as well as the retrofitting or installation of equipment. This credit would greatly help to mitigate the increased cost of PPE.

Another important bill, the Jumpstarting Our Businesses' Success Credit (JOBS Credit) Act (H.R. 6776), would help dental offices to retain and rehire their employees. The ADA strongly supports this bipartisan bill that would build on the Employee Retention Tax Credit (ERTC) provision in the CARES Act and better fulfill the ERTC's goal of keeping workers connected to their jobs during the COVID-19 pandemic. In particular, the JOBS Credit Act would include a number of policy enhancements, such as an expansion of the credit percentage from 50 percent to 80 percent of qualified wages; an increase of the per-employee limitation from \$10,000 for all calendar quarters to \$15,000 per calendar quarter (and an aggregate of \$45,000 for all calendar quarters); a phased-in credit, which will allow employers with more than a 20 percent decline in gross receipts to be eligible for a portion of the credit; and improved coordination between the ERTC and PPP so employers can be eligible for both programs, but with guardrails in place to prevent "double dipping." These important enhancements to the ERTC will provide critical relief to dentists as they continue to grapple with liquidity challenges during the pandemic.

As you are well aware, healthcare professionals, including dentists, have faced significant challenges during the COVID-19 public health emergency. Financial instability and uncertainty has become commonplace for many Americans, including our small business dentist members and their staffs. Inaction on COVID-19 relief legislation significantly exacerbates these challenges. Providing legislative relief as described in this document is essential to continual support of small business dental practices during this unprecedented national health crisis. As such, the ADA supports your subcommittee's decision to hold this

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hearing, a “Review of PPP Forgiveness.” We respectfully request that you focus subcommittee and full committee efforts on the bipartisan bills and PPP forgiveness proposals we have highlighted. Thank you for your leadership on this issue. If you have any questions, please contact Ms. Megan Mortimer at 202-898-2402 or mortimerm@ada.org.

Sincerely,

Chad P. Gehani, D.D.S.
President

Kathleen T. O’Loughlin, D.M.D., M.P.H.
Executive Director

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