

Fact Sheet: Small Business Administration Loans for Dentists

American Dental Association and Academy of Dental CPAs • September 10, 2021

On March 27, 2020 the Senate and House passed the Coronavirus Aid, Relief and Economic Security (CARES) Act which was signed into law. To advise dentists on the options available to them, both the American Dental Association and the Academy of Dental CPAs have been working hard to clarify the guidance, rules and legislative changes made to programs included in the CARES Act to assist with the economic hardship that the dental profession has faced during this crisis and beyond.

There are multiple Small Business Administration (SBA) loan options available for employers, including the Paycheck Protection Program (PPP) which was included in the CARES Act. On June 3, 2020 Congress passed the Paycheck Protection Program Flexibility Act. This bill, which included many provisions supported by the ADA, provided additional flexibility for PPP loans. On July 1, 2020 Congress passed a bill to extend the deadline to apply for a PPP loan from June 30, 2020 to August 8, 2020.

The most recent law that provided significant changes to PPP was the Consolidated Appropriations Act of 2021, which was signed into law on December 27, 2020. This law included funding for federal programs and a number of COVID relief reforms and updates to the PPP program and forgiveness process. The ADA, along with numerous other stakeholders, advocated for many of these reforms. The bill also included additional funding for PPP loans for both first time borrowers and second draw PPP loans; details on both are outlined below.

The ADA will continue to advocate for small business dental practices both in the context of the COVID-19 pandemic and beyond. These advocacy priorities include additional tax breaks and loan or grant opportunities. The ADA, as well as the ADCPA, also continue to urge dentists whom received PPP funds to wait to apply for forgiveness as SBA and participating agencies begin to implement the reforms created by the Consolidated Appropriations Act of 2021.

Below is an overview of the small business loan programs created or affected by the CARES Act, the Paycheck Protection Program Flexibility Act and the additional reforms created by the Consolidated Appropriations Act of 2021. Lenders started accepting applications for new and second draw PPP loans starting the week of January 11, 2021. The SBA also released new applications and guidance for independent contractors and sole proprietors (Schedule C filers). These applications are only available to those borrowers that apply after March 2, 2021.

On March 25, 2021 Congress passed legislation that extended the application period to apply for new and second draw PPP loans to May 31, 2021. If you received a first draw PPP loan you should check with your lender about your deadline to apply for forgiveness. Some first draw PPP loan borrowers have deadlines that will begin in August, 2021.

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Paycheck Protection Program (PPP) Loan Program Changes Created by the Consolidated Appropriations Act of 2021

In December 2020, Congress agreed to provide an additional \$284 billion for a new round of PPP loans and reforms to the PPP loan program. The Biden Administration has also made additional regulatory changes. Here are reforms and updates that will directly impact dental practices:

(Please note that as of May 31, 2021 new PPP loan applications are no longer being accepted).

- PPP funds can be used to purchase personal protective equipment or to cover the cost of facility modifications that were made to mitigate the transmission of COVID-19.
- PPP forgiveness amount will no longer be reduced by any EIDL grant amount the PPP borrower received.
- Expenses paid for with PPP loan funds that have been, or are expected to be, forgiven are now eligible for deductibility for tax purposes.
- PPP loans of \$150,000 or less will have a much more streamlined application form to file for forgiveness.
- PPP borrowers can now take advantage of the Employee Retention Tax Credit (ERTC). Guidance on ERTC can be found [here](#).

Program Rules for PPP Loans that Remained Largely Unchanged

Many of the rules for the PPP program are still in place and were not significantly modified by the Consolidated Appropriations Act of 2021.

(Please note that if you received a first draw PPP loan you should recheck your deadline to apply for forgiveness).

- For PPP loans received before June 5, 2020 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, 2020 were automatically be given a 5-year repayment term, and we assume this will be the same for any new loans provided after the Consolidated Appropriations Act of 2021 passed.
- Borrowers will need to begin to make payments on their PPP loans if they do not submit an application for forgiveness within 10 months after the forgiveness period.
- 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 employees) and do not include federal payroll taxes. This includes employee/owner compensation limited to \$100,000 annually.

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- 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, and personal protective equipment or facility updates to mitigate COVID-19 transmission within the 8-24 week period following funding.
- The amount of loan forgiveness is contingent on you spending no less than 60% of the loan amount on payroll costs. (As defined above)
- Your loan forgiveness amount will also be reduced proportionally based on reduced number of employees by the end of the 8-24 week period unless you can show that:
 - There are no eligible candidates available in your area to 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.
 - You did not reduce employees' compensation during the covered period by more than 25%.
- The maximum amount of salary for forgiveness for the owner is \$20,833. The 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 include payroll costs that are paid *or* incurred during the covered 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.
- 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.

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- To seek forgiveness, documentation will be provided to the lender that includes the qualified expenses incurred 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.
- 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.
- A publicly available database will report all borrowers and amount of PPP loans received.
- There are currently three versions of PPP loan forgiveness applications, [here](#) is an updated application for those loans of \$150,000 or less. The additional forgiveness applications can be found [here](#).

Economic Injury Disaster Grants and Loans (EIDL)

Both are ONLY available through the SBA website [here](#).

EIDL Grants

- The Consolidated Appropriations Act of 2021 provided an additional \$20 Billion for the EIDL grant program.
- Applications began being accepted again on January 17, 2021.
- Eligibility limited to those that live in [low income areas](#).
- The amount of EIDL grant money was determined by SBA to be limited \$1,000 per employee with a max of \$10,000.
- This EIDL grant will not have to be repaid.
- The SBA did reopen EIDL grant applications for those borrowers that experienced the greatest financial losses during the pandemic. For these borrowers the SBA will notify you of your eligibility and then you will be asked to apply.

EIDL Loans

- For the EIDL loans, the terms are: 3.75% interest, up to 30-year repayment.
 - Payments are deferred for the first 24 months. Interest will accrue during the deferment period.
- The credit score of the applicant is the primary factor in approval, as well as a practice's annual collections and annual expenses.

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- 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 have or plan on receiving a PPP loan, as described above.
- The EIDL loan cannot be used for debt retirement, capital acquisitions or tax liabilities, or owner draws. However, new rules allow debt payments including monthly installments, deferred interest, and pre-payment on business debt. The same payments, except for pre-payments, are now permitted on loans from federal agencies (including the SBA) and licensed Small Business Investment Companies (SBICs).
- 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.
- The SBA increased the loan limit allowance for EIDL from \$500,000 to \$2 million. This is for both new and existing loans. See SBA press release [here](#).
- 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 will provide an update if necessary. Please be sure to consult with your tax or financial advisor on all financial practice decisions.