

September 10, 2020

The Honorable Mike Thompson
Chair, Subcommittee on Select Revenue
Measures
U.S House of Representatives
406 Cannon House Office Building
Washington, DC 20515

The Honorable Adrian Smith
Ranking Member, Subcommittee on
Select Revenue Measures
U.S. House of Representatives
502 Cannon House Office Building
Washington, DC 20515

Dear Chairman Thompson and Ranking Member Smith:

On behalf of our 163,000 dentist members, the American Dental Association (ADA) would like to thank the Subcommittee on Select Revenue Measures for holding a hearing on “Consequences for Inaction on COVID Tax Legislation.” At a time when dental practices are trying to overcome the economic downturn caused by COVID-19, the failure of Congress to act on COVID tax legislation hinders dentists’ ability to continue practicing in the midst of the pandemic. Relief for small business dentist owners through tax breaks and credits would help their practices stay open, retain their employees, and provide their patients with much-needed care. We ask that the hearing include discussion on the bipartisan tax legislation described below that will further assist small dental practices with recovering from the economic calamity caused by COVID-19.

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). As you are aware, the costs of these health and safety efforts are having a considerable economic impact on their 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, N95 respirators, eye protection, gowns and aprons, cleaning products, as well as the retrofitting or installation of equipment. This credit would greatly help to mitigate the increased cost of PPE.

The ADA also strongly supports the Eliminating the Provider Relief Fund Tax Penalties Act (H.R. 7819). Congress’ allocation of \$175 billion in financial relief to healthcare professionals through the Public Health and Social Services Emergency Fund (PHSSEF) has been necessary and greatly appreciated by dentists. This vital funding, when fully and appropriately allocated, has the potential to help many healthcare professionals avert practice closures and loss of access to care for our nation’s patients. Yet issues have arisen around the tax implications associated with accepting those funds distributed by the Department of Health and Human Services. Currently, PHSSEF assistance is taxable, resulting in a 21% or more reduction to the benefit for taxpaying healthcare professionals as compared to non-taxpaying healthcare professionals. Taxing the provider relief funding is

counterintuitive to Congress' intent in providing such relief. H.R. 7819 would ensure that dentists, regardless of taxpaying status, will not be subject to taxes on aid provided through the Provider Relief Fund (PRF). By guaranteeing that relief funds do not add to the provider's tax bills, the bill would allow dental practices to utilize the full value of the benefit.

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 Coronavirus Aid, Relief, and Economic Security (CARES) Act and better fulfill its 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 the Paycheck Protection Program 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.

The ADA also supports the Skills Renewal Act (H.R. 7032) which would serve as a boon for American workers hit hard by the financial reality of COVID-19. This important bipartisan bill would provide Americans who have been laid-off or furloughed as a result of COVID-19 a \$4,000 tax credit to pursue post-secondary skills training and credentials and thereby help reestablish their welfare and wellbeing. H.R. 7032 would not only support employers and Americans in need, but is bellwether legislation that will help secure our workforce and economy throughout COVID-19 and beyond.

Another important bill, the Small Business Expense Protection Act (H.R. 6821), would ensure that small businesses can deduct eligible expenses paid with a forgiven Paycheck Protection Program (PPP) loan from their taxes. 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. When Congress approved the CARES Act, the PPP was 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 severe 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.

September 8, 2020
Page 3

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 members and their staffs. Inaction on COVID-19 tax legislation significantly exacerbates these challenges. Providing legislative tax relief as described in this document is essential to continual support of dental practices during this unprecedented national health crisis. As such, the ADA supports your subcommittee's decision to hold a hearing on "Consequences for Inaction on COVID Tax Legislation." We respectfully request that you focus this hearing, as well as further subcommittee efforts, on the bipartisan bills we have highlighted.

The ADA strongly supports legislation on tax relief and your efforts to lessen the burden that small businesses have shouldered due to the COVID-19 pandemic. 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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