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 have come swiftly. Both lenders and borrowers have experienced some confusion, and both of our associations have been working hard to clarify the guidance and rules in order to advise dentists on the options available to them 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 better fit for your individual practice.

On May 28, the House of Representatives passed the Paycheck Protection Program Flexibility Act. This bill, which included many provisions supported by the ADA, would provide additional flexibility for PPP loans including expanding the 8 week forgiveness period to 24 weeks, lessening the 75% payroll costs requirement for loan forgiveness and allowing borrowers to defer payroll taxes. The ADA will continue to advocate for PPP flexibility and will monitor developments in the Senate.

Below is a quick recap of the loans affected by the CARES Act:

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

- This loan will be provided by SBA-approved banks. We encourage you to contact your business banker for additional information. You can search for preferred lenders [here](#).
- 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, the terms are: 1% interest, up to 2-year repayment, 6 months no payments but interest will accrue.
- 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 employees) and do not include federal payroll taxes. This includes employee/owner compensation up to $100,000.
- 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 in the 8-
week period following funding. The amount of loan forgiveness is contingent on having 75% of the payroll back to pre-crisis levels by the end of your 8-week loan forgiveness period or June 30, 2020, whichever date comes first. Your loan forgiveness amount will also be reduced proportional to any reduced number of employees by the end of the 8-week period as well as if your employees’ compensation during the covered period is reduced on an annualized basis by more than 25%. There are safe harbor provisions on both the reduction in employees and reduction in compensation that will mitigate the reduction if you qualify. The forgiveness application can be found here.

- 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 8-week (56-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 8-week period.

- If you extend a rehire offer to an employee and they refuse, they will not be counted toward your full time employee 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.

- To seek forgiveness, documentation will be provided to the lender that includes the qualified expenses during the 8-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.

**Economic Injury Disaster Loan (EIDL) - Section 7(b) of SBA – Currently Unavailable to New Applicants Other than Certain Businesses**

- **Currently the SBA is only accepting new applications for EIDL grants and loans for agricultural businesses.**

- It is ONLY available through the SBA website.
  - Please use this link to be processed for an application online: [https://disasterloanassistance.sba.gov/s/](https://disasterloanassistance.sba.gov/s/)
Applications made after March 29 will include a box that an applicant can check to request an emergency grant of up to $10,000.

The amount of EIDL grant money will be $1,000 per employee with a max of $10,000.

This grant will not have to be repaid even if you are not approved for the EIDL loan.

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.

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.

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 tax advisor to develop an efficient plan for the use of the loan proceeds.

Congress is considering changes to the PPP program that could become law in early June. We will bring those changes to your attention and make changes to this fact sheet when and if that happens.

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.