



HOW YOU CAN POTENTIALLY RECEIVE FULL FORGIVENESS OF YOUR ROUND ONE PPP LOAN AND OBTAIN UP TO A \$5,000 EMPLOYEE RETENTION TAX CREDIT FOR EACH OF YOUR EMPLOYEES FOR 2020

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As most of you know on Sunday, December 27, 2020 the President signed into law the Consolidated Appropriations Act of 2021 (CAA). This was a \$900 Billion economic stimulus package and the new law has several provisions primarily dealing with the Paycheck Protection Program (PPP) that directly (and very positively) affects dentists.

The Coronavirus Aid, Relief, and Economic Security Act of 2020 ("CARES Act") created the PPP as well as the Employee Retention Tax Credit (ERTC). If you qualify for the ERTC, the credit is a maximum of 50% of qualifying wages up to a total of \$10,000 per employee for 2020, so the maximum credit would be \$5,000 per qualifying employee.

When the CARES Act was passed, you did not qualify for the ERTC if you also received a PPP loan. This eliminated the ability for most of our dental clients to take this credit for 2020 wages paid.

Under the CAA, dentists who received a PPP round one loan in 2020 now **CAN ALSO POTENTIALLY CLAIM THE ERTC IF THEY QUALIFY IN 2020 EVEN IF THEY RECEIVED A PPP LOAN IN 2020** (however, you cannot use the same wages for the ERTC that you use for PPP loan forgiveness). In addition, the credit has been extended to apply for the first two quarters of 2021 and has been expanded to a maximum of 70% of wages paid up to a maximum of \$10,000 per quarter, so the credit is increased to a maximum of \$7,000 per quarter. In summary, the maximum credit for 2020 is \$5,000 per year per employee, and the maximum credit for the first two quarters of 2021 is \$7,000 per employee per quarter for a maximum credit of \$14,000 per employee for 2021. And even better for 2021, to qualify you only need to show a greater than 20% reduction in revenues in quarter one or quarter two.

We believe that this new law created a planning opportunity that could allow you to file amended payroll tax returns for 2020 **IF YOUR PRACTICE HAD A REDUCTION IN GROSS RECEIPTS IN ANY CALENDAR QUARTER IN 2020 OF GREATER THAN 50%** or if you were fully or partially shut down under a government mandate or order. This new law could generate potentially tens of thousands of dollars of refundable payroll tax refunds for your practice.

We believe that since most dental offices in California were closed for all but emergency procedures for anywhere between 8-12 weeks in March, April and May, many dental practices may meet the 50% reduction criteria for the second quarter of 2020 and most could also qualify via a partial suspension of business due to a governmental order. This new law creates a potential planning strategy that could allow you to carefully select wages to qualify for PPP forgiveness and other carefully selected wage to qualify for the ERTC in 2020. We caution, however, that guidance is expected from the IRS covering the interplay of PPP forgiveness and the ERTC, and this guidance is likely to affect any potential strategies.

For example, if your practice has 10 employees and you meet the rules, you could qualify for up to \$50,000 in tax credits for 2020. **SINCE YOU CANNOT USE THE SAME WAGES FOR PPP AND ERTC, ONE POSSIBLE PLAN IS TO DELAY FILING FOR ROUND ONE PPP FORGIVENESS UNTIL YOU CAN DETERMINE**



IF YOU QUALIFY FOR THE ERTC FOR 2020 AND IF YOU DO, DETERMINE WHICH WAGES YOU SHOULD USE FOR THE PPP FORGIVENESS FILING AND WHICH WAGES YOU SHOULD USE FOR ERTC.

Due to this new law and the opportunity it presents to many dentists, we are providing a webinar on this subject on Wednesday, March 10th from 6-8PM as part of our “Business of Dentistry” monthly series. [Learn more here.](#)

If you have any questions about this complex new law, please give me a call at 657-279-3243 or e-mail me at awiederman@eidebailly.com.

Below you’ll find resources to help.

[Maximizing PPP Loan Forgiveness](#)

[Dental Practices Information and Podcast](#) Visit here and click “get started” to be connected with someone from our team who can help.