

Fact Sheet: Small Business Administration Loans for Dentists

American Dental Association and Academy of Dental CPAs • February 9, 2022

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.

Multiple Small Business Administration (SBA) loan options are and were 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. PPP ended on May 31, 2021.

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, loan or grant opportunities, and assistance with dental workforce issues

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.

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.

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- 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 given a 5-year repayment term.
- 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.

PPP Loan Forgiveness

- 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:

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- 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.
 - 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.

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- 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](#) and [here](#).

Appealing a Loan Forgiveness Denial

- If you were denied for all or part of the money on your loan forgiveness application, you have 30 days to appeal. The clock starts when you receive written notification from the SBA, not when your lender receives notification.
 - Businesses need three documents to file an appeal with the Small Business Administration:
 1. A dated copy of the SBA decision letter;
 2. Signed documentation that supports the appeal -- from tax filings to wage reports;
 3. Complete contact information with relevant signatures. The SBA Office of Hearings and Appeals (OHA) will assign a judge to your case. The judge has 45 days to respond to the appeal and must issue a Notice and Order decision before that deadline.
 - If you do not agree with the judge's decision, you have 10 days to respond after being served with the Notice and Order document. If you don't respond, the OHA judge's decision becomes final after 30 days.
 - You have two options after receiving the legal notice:
 1. File a request with the OHA for reconsideration.
 2. Appeal the OHA decision to the applicable Federal District Court.

Economic Injury Disaster Grants and Loans (EIDL)

- As of January 1, 2022, SBA is no longer processing new COVID EIDL applications for loans or advances. However, SBA continued to accept and review applications received on or before December 31 if the reconsideration/appeal was received within 6 months of the date when the application was declined for reconsiderations, and 30 days from the date of reconsideration decline for appeals.
- Dentists and other borrowers may still request increases up to their maximum eligible loan amount for up to 2 years after their loan origination date, or until funds are exhausted.

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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.