



Coronavirus – Tips to Weather this Storm

A summary, as of March 22, 2020, for dental practices, businesses and individuals.

Federal Income Tax Filing and Payments

- IRS issued notice 2020-17 which postponed the due date for Federal income tax payments from April 15, 2020 until July 15, 2020.
- IRS then issued notice 2020-18 which supersedes, restates and expands on the prior notice.
- The April 15 due date for filing tax returns AND for payment of the tax is automatically postponed to July 15.
- Taxpayers do not have to sign or file extension forms; it is automatic.
- No limitation on the amount of the payment that may be postponed.
- Relief applies to 2020 first quarter estimated tax payments due April 15.
- Currently, the relief does not apply to second quarter estimated tax due June 15.
- We await technical clarification on whether the relief applies to the April 15 due date for making IRA and HSA contributions.

Business Action Items

- Hope for the best, plan for the worst.
- By now you have either been forced to close your business, anticipate a closure soon or expect operations will be severely curtailed.

Staffing Issues

- Employees are our most valuable asset.
- None of us want to abandon our staff during this temporary situation.
- Evaluate staffing needs and act accordingly regarding the extremely hard decision of termination or temporary layoff.
- We are currently forced to make decisions at warp speed without sufficient details. Due to the uncertainty and lack of details available regarding possible exemptions for businesses with fewer than 50 employees in the Families First Coronavirus Response Act (see section below on the act), we are unable to make a recommendation regarding the possible strategy of terminating employees prior to April 2 in order to avoid compliance with the act if there is ultimately no exemption. Businesses will receive a 100% credit for paid leave pursuant to the act; however, there may be a cash flow timing difference between payment of the paid leave and receipt of your credit or refund.
- You will likely temporarily lay off staff you wish to retain after the crisis.
- Depending on your personnel policies, in most instances, if staff have earned vacation, sick leave or other paid time off (PTO); you will pay this benefit until exhausted if the employee elects to use the PTO now.

- Once PTO is exhausted, you must decide if your working capital is sufficient to continue paying key staff members a portion or a percentage of their wages by allowing the PTO account to go negative or by making pay advances to them which will be repaid from future wages after we survive the crisis. This should only be considered by financially strong practices or businesses and only for key employees. They all may be key to you. If you decide to make advances against future pay then this may be considered a loan, not wages, and is not subject to payroll taxes until they resume work in the future. The loan will be repaid from taxable wages at that time over an agreed upon timeframe.
- Temporarily laid off or terminated employees can apply for unemployment benefits and should do so immediately.
- Florida Unemployment guide and application is at the following link <https://www.stateoflouisiana.com/articles/florida-unemployment/#two>
- Employee's online application should indicate it is a temporary lay off.
- The maximum unemployment benefit available is \$275 per week.
- If emergency or essential staff are paid as needed, those wages earned will reduce unemployment benefits to the extent they exceed \$58 per week.
- For practices or businesses that use payroll services please notify the service of the staff members that have been temporarily laid off and those that have been terminated, if any.

Overhead and Cash Flow Issues

- Evaluate current working capital: cash, accounts receivable, accounts payable as well as debt service requirements to develop a 90-day cash flow plan.
- Eliminate all non-essential expenses immediately; we will only maintain needs not wants.
- If you can't eliminate the expense, then work to reduce it.
- Continue to work on collecting receivables from patients, insurance companies and customers.
- Call your vendors and suppliers to discuss extended payment terms; communication is key, be proactive.
- Call your insurance agent about the provisions of your business interruption insurance policy.
- If you do not own your building, contact your landlord to request a deferral of rent until normal operations resume; all foregone rent could be prorated over the remaining term of the lease.
- Reduce or stop retirement plan contributions until operations resume.
- If you have sufficient personal cash reserves for household living expenses, then stop taking payroll from the practice or business in order to reduce the current cash flow requirements for payroll taxes.

- If you do not have sufficient personal cash reserves for household living expenses, then take distributions instead of payroll to reduce payroll tax cash flow. We will catch up or adjust accordingly after the dust settles.
- Contact your bank immediately to request a deferral of loan payments or convert loans to interest only until full operations resume. Make the same request regarding the practice or business real estate loans.
- Consider requesting your bank to establish a working capital line of credit or increase an existing one.
- If your practice acquisition debt is outside the prepayment penalty, consider refinancing at a longer term to reduce the monthly payment. After the crisis you could accelerate the payment of principal with a properly structured loan to allow additional payments of principal without triggering a prepayment penalty on the new loan. You could even refinance the acquisition debt to pull out cash to weather the storm. Bank lending rates are around 3.5% and they are lending.
- Apply for the Florida small business emergency bridge loan of \$50,000. Loans of up to \$100,000 may be made in special cases as warranted by the need of the business. Zero percent interest rate for one year; if not paid at the end of one year the rate increases to 12%. Requires at least 2 employees but not more than 100. Warning: A borrower will be required to certify that the proceeds of insurance claim, other loans applied for or to be applied for, or other financial assistance will be used to repay the loan. Apply at <https://floridadisasterloan.org/>
- The US Small Business Administration is offering low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus. The loans offer up to \$2 million in assistance with long term repayments of 30 years. Terms are determined on a case by case basis, depending on the borrower's ability to repay. The interest rate is 3.75% for small businesses but could be higher (up to 7%) if it is deemed the business has the ability to borrow from a traditional lending source. If you have an existing lender it may require refinancing of the existing loan. Apply at <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

Access Sources of Cash for Emergencies in the Following Order

- Home equity line of credit; if you do not have one, consider establishing one now.
- Line of credit secured by your personal investment portfolio; if you do not have one, consider establishing one now.
- Practice or business line of credit.
- Zero interest rate credit cards
- Sale of investments- sell bonds which have increased in value while stocks have declined. Do not sell stocks!
- Health savings account.
- ROTH IRA's
- Loan from retirement plan – a last resort.



- Traditional IRA with rollover in less than 60 days – a last resort
- Credit cards with interest – absolute last resort.

Families First Coronavirus Response Act (see summary chart below)

The Families First Coronavirus Response Act” (FFCRA), which goes into effect no later than April 2, 2020 and expires December 31, 2020, responds to the coronavirus outbreak by providing additional assistance in the areas of COVID-19 testing, sick leave, food assistance, and more. We’ve compiled key details of FFCRA that we believe you need to know.

The Secretary of Labor **MAY exempt** small businesses with fewer than 50 employees from the requirements of providing this leave when the imposition of such requirements would jeopardize the viability of the business; however, we await clarification on how and when to apply for exemption.

Employers with fewer than 25 employees **MAY be relieved** of the requirement of restoration of the employee’s position IF certain conditions are met; however, we await clarification on details of the conditions.

In summary, the Act:

- Requires private insurance plans to **provide free COVID-19 testing**
- Requires employers to **provide emergency paid sick leave** to workers affected by COVID-19 and **expands family and medical leave**.
- Offers **increased funding** for state unemployment insurance, food stamp and nutritional programs.

More specifically, here’s what The Families First Coronavirus Response Act means for both business owners and employees in the areas of sick leave and expanded family and medical leave.

- Employees are eligible for up to two weeks of sick leave (full pay for self, 2/3 pay for family care) for illness, quarantine or school closures.
- Employees are eligible for up to 12 weeks of FMLA leave for school closures (10 days unpaid and then up to 10 weeks at 2/3 pay).
- FMLA expansion covers:
 - Employers with fewer than 500 employees
 - Employees who have been employed for at least 30 calendar days (some exclusions may apply)
 - Employees who must care for children under the age of 18 in the event of school and place-of-care closures or if care provider is unavailable due to a public health emergency with respect to COVID-19.
- Emergency paid sick leave covers:
 - Employers with fewer than 500 employees



- All employees no matter the length of employment (some exclusions may apply)

The Coronavirus situation is changing rapidly, as are the updates to various relief efforts. We will continue to monitor news and keep you updated as clarification is provided.

As new information becomes available, we will update our website

<https://www.beachcpafirm.com/covid-19-updates>



Families First Coronavirus Response Act – 2020 Tax Changes

	Pay per Day	# of days	Discussion
(EPSLA) Emergency Paid Sick Time -(Day 1 to Day 10 of missed work)			
1-Subject to quarantine or isolation order	Up to \$511/day	10 days max	-Max comp of \$5,110 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee)
2-Advised by health provider to self-quarantine	Up to \$511/day	10 days max	-Max comp of \$5,110 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee)
3-Experiencing symptoms and seeking diagnosis	Up to \$511/day	10 days max	-Max comp of \$5,110 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee)
4-Employee is caring for an individual who is subject to numbers 1 or 2 above. (NOTE - this does not say family member.)	Up to \$200/day	10 days max	-Max comp of \$2,000 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee)
5-Employee is caring for a son or daughter of such employee if the school or place of care has been closed or unavailable due to COVID-19.	Up to \$200/day	10 days max	- Max comp of \$2,000 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee)
6-Employee is experiencing any other substantially similar condition specific by the Secretary of HHS.	Up to \$200/day	10 days max	- Max comp of \$2,000 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee)
(EFMLEA) Emergency Family & Medical Leave Expansion Act -(Day 11 to Day 60 of missed work)			
1-Employee is unable to work or telework due to a need for leave to care for a son or daughter under 18 because of school or childcare closure	2/3 of regular pay, not to exceed \$200/day	50 days max	-Max comp of \$10,000 -pay not considered wages for FICA(6.2%) -pay will be subject to Medicare wage tax (1.45% Employer and 1.45% Employee) -The first 10 days of leave may be unpaid and then paid leave is required
Employer Tax Credits* - EPSLA & EFMLEA			
1-Employer paid either EPSLA or EFMLEA wages	100% tax credit	As allowed	- Credits are refundable to the extent they exceed the employer's quarterly OASDI (payroll tax)
2-Credits are increased by the portion of the employer's "qualified health plan expenses" paid or incurred to provide and maintain a group health plan—allocable to EPSLA or EFMLEA wage	100% tax credit	As allowed	- Credits are refundable to the extent they exceed the employer's quarterly OASDI (payroll tax)

***Note: self-employed individuals also qualify for refundable credits.**