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Ash: Hello, and welcome to another episode of "Beyond Bitewings." In today's episode, we will be talking about FAQs. In other words, frequently asked questions, part two. Within the studio, we have Robert.

Robert: Good afternoon.

Ash: Hey Robert. So what do you think about today's episode?

Robert: Well, my first thought when you say FAQs is, who's asking them?

Ash: That's a good question about the questions that I will be asking you soon. Mostly clients, I would say, mostly clients and a few from our listeners. These are just questions that we get asked a lot. And we actually did an episode on FAQ's last year. That's why I'm gonna call this part two of it, for this year. A lot of these questions are still similar to last year, but we do have some additional questions that pertain to the current period. Meaning there are certain things that are currently available to our listeners and our clients that they have questions about.

Robert: So let's elaborate on that. So I think you're talking about some of the government programs associated with the pandemic.

Ash: Yeah, you got it, Robert.

Robert: And essentially the ERC?

Ash: Mm-hm, ERC's definitely a big one.

Robert: Because that was a program that you could qualify in 2020, you could qualify for it in 2021. And it's possible that you could qualify for it in 2022. Although I think most of our clients have recovered from the 2020 closings, to the extent that they don't qualify any longer for the ERC, but they're still getting inundated with these emails. I wouldn't call 'em spam. They're some of 'em are legitimate emails, but they're really, I guess they're great marketing, because everybody thinks, "Oh, wow, this is a credit I should apply for that." And a lot of our clients have sent those to me and said, "Is this something I qualify for? "And why didn't you tell me about it?" What they don't realize is that we did the calculations. Yes, they qualified for it. We filed their amended returns and this was several months ago, but because the Internal Revenue Service hasn't yet sent them their refund, then they don't realize that we did it and that's a problem.

Robert: Right. And the other problem that I can think of, and you hit the nail with the word qualified, is that just because they qualified in one year doesn't necessarily mean they have to qualify for the following years and when they get inundated with these emails, the following year, they're thinking, "Oh, I qualified in the first year. So most likely I qualify for this year as well."

Ash: Right. Right. And I think it's, correct me if I'm wrong, isn't it you qualify on a quarterly basis?

Robert: That is correct. Yes. So it's evaluated on a quarter to quarter basis and most of our clients and I'm strictly speaking of our dental clients, most of them have recovered to the point where they do not qualify for the 2021 and the follow ones.

Ash: Right, yeah.

Robert: So, yeah. So the ERC is a big one. The, you actually answered the question, before I could ask you, is that, "Why haven't I gotten my refund yet from the first ERC "that was applied for?" So there's that. Yes the IRS is behind on that and that's the primary reason why it's on its way. It's just taking them some time. Pandemic didn't just affect us. It also affected the government agencies as well, And the IRS is no different.

Robert: And to a much larger extent than it affected private industry. Let me ask you this. Are you aware of any of our clients that have gotten the ERC refunds?

Ash: Not that I know of, no.

Robert: Okay, I know a couple, but that's a couple out of a few hundred, so not a very high percentage.

Ash: Ah!

Robert: But I do know a couple that have gotten the refund within the last, probably 30 days.

Ash: I see. Now, where do they get this refund? The refund comes into the business account, right? Not their personal account.

Robert: Yeah. It's based on an amended payroll tax report. So the money gets paid to the business. And it's direct deposit. So you've gotta be looking for it. I've even told some clients, look in your bank account, see if you have an unidentified deposit. And these aren't things that the client, unfortunately, keeps a tab on. So they count on us to see these things when they come in and we know when they've received them, we tell 'em. But for the majority of 'em, like I said, the majority of 'em, probably 95 plus percent of the clients have still not received that refund.

Ash: Mm. I see. Now would you happen to remember the description on that deposit?

Robert: I don't, that would've been good information to have, sorry about that.

Ash No, no, no. You're perfectly fine. I mean, there's only a couple. I didn't even know that we had clients that actually received it. Otherwise I would've asked you before we recorded this episode. So that takes care of the ERC. The other big question I get asked about a lot is the HRSA reporting requirement, that's coming up. It's actually due by the end of March of 2022. And we have clients that oftentimes will call me up and ask me, "Hey Ash, do you think this is something "we can do by ourselves?"

Ash: And the question I get is, "Okay, what happens if we don't do this by March 31st?" So tell 'em.

Robert: Okay. So I'll answer my own question And then I'll let you answer your question. Well, it really depends. I can't speak for the other firms, but I can tell you how we are tackling this situation. So our firm, we have actually created some resources for our clients, so they can at least try to do it by themselves. If they are choosing not to pay the fees for us to help them to file the report for them. A lot of my clients have been successful in following those directions and doing it themselves. I have even had clients that have asked their parents to follow those instructions and fill out this reporting. And then I've also had a couple that said, "Ash, I cannot make heads or tails of this. "I'm very skeptical and afraid "that I'm going to enter the wrong information. "Can you please help me out?" So in that scenario, we could definitely take over for a fee. We can definitely help them out. So it will depend. So I guess to answer my own question. It will depend on the client, how comfortable they are with the information that they have, to fill out the form that they have to fill out for the reporting purpose. Now, going back to you, Robert, how would you answer your question?

Ash: Well and I guess to expand on that, what's the consequences if they don't do it correctly? Not if they don't do it, but if they don't do it correctly? Well if they don't do it correctly, they could end up having to repay part of the loan. That might not have been necessary if they had us do it.

Robert: So not the loan, but the funds they did receive.

Ash: I'm sorry. Right, the funds. And then that also kind of leads into the answer to my question. What's what are the consequences if they don't fill out the, the forms by March 31st? And then you do have to repay the money you received. If you cannot exhibit that you've used that money for the purpose intended or if you can't prove that you've used all of it for the purpose intended, then you have to repay it.

Ash: Repay the portion you haven't used.

Robert: That's correct.

Ash: Or you haven't shown on the report.

Robert: That's correct. Yes.

Ash: Right, right. So there it is. So yeah. So ERC, HRSA, a lot of people are also calling it the HHS stimulus. Goes both ways. And then finally the PPP2.

Robert: I was just gonna say, I'm seeing some banks actually that are sending emails to clients that are telling them that gee, the amount they received in the PPP was incorrect and they weren't entitled to all that. And so they're telling them, they're gonna have to repay part of it. And in at least one, maybe two instances that I know of, the banks were wrong. And we were able to prove that to the client and to the bank. And so one of the clients was I think, a little over \$10,000 that they were being asked to repay, that didn't have to repay anything. And the other one, I think it was about twice that much, about 20,000. So just because you get an email from a bank doesn't mean that it's correct. They're as fallible as the rest of us.

Ash: Oh, absolutely. Speaking of which I've actually had a client that was reached out by SBA themselves saying that, "Oh, you shouldn't have received "the full amount that we've given out to you, "or through the lender, "you are liable to pay back this much." And this particular client is a sole proprietor. So his reporting is done through Schedule C and the calculation for the PPP amount is done differently for sole proprietors, as opposed to let's say a shareholder on an escrow. So that led the lender to provide an incorrect amount for the loan, the PPP loan. And he, at that point, fortunately, received more than what he was expecting. But unfortunately, right now, he's liable to pay back a portion of it. So yeah, the PPP2, honestly, by now I would say most of the people out there have gone over their covered period, which means that they are eligible to file for the forgiveness. If you haven't done that yet, please get in touch with your CPA or your financial advisor and let them know that this is something that you would be taking care of soon, or have someone else take care of this for you.

Robert: Yeah, because if you don't take care of it soon, and I don't know the deadline, but there is a deadline. And if you pass the deadline, then you'll have payments that'll start being due.

Ash: Absolutely, it is a loan, 'cause until you apply for forgiveness it is a loan and will continue to be treated as a loan unless something else is done, which is applying for the forgiveness.

Robert: Yes, and I know we've had some clients that, I don't know if they were confused or I don't know how to say this, but due to a couple of bank mergers, some of the data got skewed and clients were given incorrect information by either the bank that was being acquired or the bank that acquired that bank. And I know I'm being vague here, but again, if you get an email from the bank, don't just assume automatically that it's correct. If they're telling you that you were overfunded and you're gonna have to repay X number of dollars, send that to your CPA, send that to your financial advisor. Get them to verify it. And hopefully they can save you some money.

Ash: That's a great tip there. Yes, absolutely. And then finally, the other one that I can think of is the EIDL loan, the eidl loan. One thing that they're asking me of is, so basically they're asking about, "Okay, when should I start paying? "Should I pay it off?" "All of it. If I have the funds right now in my account." I know this was the exact same question we got asked last year as

well. But you know, this is a different year. So what would you say, Robert? Do you think the answer's still the same or is it a different answer this year?"

Robert: Well, as a financial planner, if I thought that I could invest your money and get more than 3 3/4% on it, which I think I can do that blindfolded. Even though the market's down what, a couple thousand points right now? It's not gonna stay down. And even yesterday it was up what 5-600 points. So as long as you feel like you can invest your funds for a greater return than the interest rate on the EIDL loan, then I would not be in a hurry to repay the EIDL loan. I would pay it over the period of time that it's intended. A lot of the questions I'm getting about the EIDL loan are, I got one yesterday, "Like when did the payments start?" Because originally it was last summer. And then the government came in and gave everybody a another 12 month deferral. Now people are wondering, well, "When is that 12 months up?" And to my knowledge, none of our clients have received a notice from the SBA telling them when the payments will be starting. But I think that's gonna be coming either in, I don't think it'll be May, I think it's gonna be June or July. I think most of those payments originally, we're supposed to start in June or July of '21. So the additional 12 month deferral would put 'em into this year. So I think in the next couple of months, clients will start getting notices with the new payment amount. Now the payment amount's gonna be different. It's gonna be a little higher because you only have 28 years repay now instead of 29. Because it was 30-year loan with a two year deferral period. But during that deferral period, the interest keeps accruing. But only at 3 3/4%. So with interest rates beginning to rise, now, probably this month and throughout this year, then a 3 3/4% loan is actually gonna end up being pretty cheap money.

Ash: Mm, I see.

Robert: So that's another reason not to pay the loan off, because you're gonna not be able to borrow for that lower rate probably by the end of March, would be my guess.

Ash: Right, right and that's what I've been hearing from a lot of people, our lender friends as well, that if we have clients that are planning on refinancing-

Robert: You have friends that are, are lenders?

Ash: Oh, well, I shouldn't say friends, acquaintances. Let's just say acquaintances, right?

Robert: We love lenders.

Ash: Oh, we do. But no, there's some who are friends, because we do keep in touch with them on a regular basis, because that is an area where our clients need a lot of help with. And we like to stay on top of the information that we have, that we provide to our clients. So yes, Robert, I would call them friends.

Robert: Well, they're certainly a preferred set of vendors, that do really a lot of good work for our clients. We appreciate our relationships we have with our vendors, our lenders and again, they do great job for our clients. A lot of 'em are still, I saw a promotion today from one of the

banks that's still doing I think it was 2.65% on buy-in loans, but you have to have the application in before March 31st.

Ash: Oh, wow, 2.65?

Robert: Yeah. That's pretty low.

Ash: Below 3%, wow.

Robert: Some of these larger banks are hedging their interest rates. So they'll still have some cheap money available even after rates actually increase. 'Cause the Federal Reserve Board is probably gonna increase rates either 1/4% or 1/2% before the end of March.

Ash: Mm, I see, right. That would make sense, but only with the bigger banks.

Robert: Yes.

Ash: I see. Okay. That's good. Is there any other COVID-related item that we haven't gone over?

Robert: COVID-related?

Ash: That's applicable to our clients.

Robert: No, I understand. Probably not. I guess the other big thing I was thinking of and you know, prior to the podcast today, you asked me about it. And that was the question about cars.

Robert: Oh, yes.

Robert:- But that has nothing to do with COVID. Well, actually, maybe it does, because since the supply chain issues have disrupted the housing market and the car market. But the question is always the same, "Do I buy or lease?" And you know, the answer today is either way it's gonna cost you a lot more than it would've a year ago. But the answer is always, if you're gonna use the car 50% or more for business, then you buy it. If your business usage of that vehicle is less than 50%, then you can either buy it or lease it, depending on what gives you the lower monthly payment. You should worry about cash flow rather than deductions. And generally for a doctor that only owns one dental practice, you cannot justify, greater than 50% business use of a vehicle. And that's according to the IRS. That's not my opinion. That's the IRS's opinion.

Ash: Right. Which makes sense. I mean, specifically for dentists, right? It in that line of business. Now, if you were, let's say a real estate agent, who's-

Robert: Well that's yeah, that's different.

Ash: That's different. Or a contractor. Right, okay, that's good. That's good knowledge. Now what about the insurance that they get for that vehicle.

Robert: Yeah, that's the other thing, I always tell the clients to title the vehicle in their personal name, not the name of the dental practice or the business. Because if you title it in the name of the business, it's gonna be considered a commercial vehicle and your insurance is gonna be way more. Maybe two or three times as much as it would be if it was a personal-use vehicle. So title the vehicle in your personal name, make the payments out of the business and buy the insurance through your personal.

Ash: Okay, all right, that sounds good. Now, a client may ask, "Is that something that can be done? "I mean, even though I have analysis set up "and I'm going to show that this vehicle "was bought with the intention "of being mostly used by the business, "should I still buy it under my personal name?"

Robert: Just don't tell your insurance agent that you're using it for business.

Ash:- Right and honestly, I mean, the business use, as you said, for a dentist, it's never going to be more than 50% for single practices. So at that point, since majority of it will be used by you personally, I don't see any issue.

Robert: Yeah, I agree, yeah.

Ash: Being under your personal name. So yeah. So that takes care of that. And also speaking of cars, I just figured why not also put this out? There are some additional credits available out there for some specific type types of cars. I'm talking about the electric cars and hybrid vehicles that are available. There's actually a link. You guys can actually go on Google and just type credit for EV or electric vehicles available today. And there's a link there that's available, that you can click on and it'll show you a list of all the vehicles that are currently available in the market that you can buy that will qualify you for this credit that you can claim through your tax return when you file it.

Robert: Now, one thing that I wanna ask you, just because I think a lot of people are thinking what you just said there. They would automatically jump to the conclusion that a Tesla would qualify for the credit.

Ash: No, not any more.

Ash: But tell 'em why it doesn't.

Robert: Okay, so when this credit was originally introduced the idea behind it was so that people are more willing towards a transition from a gasoline-powered vehicle to an electric vehicle. And initially when this first came out, the big name with an electric vehicle was Tesla. So people used to think, "Oh, you know, "this credit was only available with Teslas." In fact, I've even had clients that asked me for, "Hey, don't forget "to apply the Tesla credit in my tax return." When in reality, it's not just for Tesla vehicles, it can be, because Tesla vehicles are

electric vehicles. However, these days you have pretty much all manufacturers that have some version of an electric vehicle. And if they meet the requirement of the definition of an electric vehicle by that agency, then there will be credit available for purchases of those vehicles. Now, let's go back to that Tesla credit, right? Since Tesla was one of the first pioneers to come up with these mass produced electric vehicles, they have actually met that quota. In other words, there was a specific number of sales that was required by each model of a manufacturer. And once basically that number is hit, that credit is no longer available for that specific model. So for Teslas, unfortunately, for the models that have been out there for more than two years, they have all met that quota. I can't remember the exact number, but I believe it was more than 200,000 or 125,000.

Robert: I don't know.

Ash: But correct me if I'm wrong, I'm not a hundred percent sure on that number, but yeah, once they've exceeded the number of sales on that number, then the credit is no longer available for that specific model.

Robert: And so it's no longer available for most of the Teslas that are older than two years.

Ash: Typically yes, I would say so, because of their increased number of sales on a year to year basis.

Robert: So I guess the advice is don't automatically think you're gonna get the credit for buying an EV vehicle, if you're buying a Tesla.

Ash: Right, right, absolutely. So there's that and it's not just with electric vehicles. I know originally it was with electric vehicles, but they've seen such an influx in the transition that they decided to extend it onwards to certain hybrid cars as well, 'cause the goal is, it's better for the environment. And so are hybrid vehicles, so the credit is also available on certain hybrid vehicles that are out there. So make sure to also check out those vehicles before making your purchase.

Robert: And is the credit available on trucks as well?

Ash: I don't think so. Unless there is a new one that's on them. I mean really Robert, I have to be completely honest with you. The day when I heard there's an electric Mustang that just came out and it's an SUV. I cannot say anything definitively anymore regarding vehicles.

Robert: Well, they they've changed a lot I know.

Ash: And so there may be, for all I know, there may be an electric truck out there that has credits.

Robert: Well the Ford F100 or F150, they had to quit taking orders for those because so many people wanted the electric F150. So I don't know if that credit is still available on that vehicle or if they've already exceeded the number.

Ash: Yeah, I wouldn't know. So definitely, but this link will actually have the specific year, make and model of the vehicle. So that will definitely help you. And it is something that they're updating on a regular basis. So, let's say you're planning on buying a vehicle six months from now and today you saw a specific car that's on that list, doesn't necessarily mean six months later, they'll still have that vehicle on that list.

Robert: So you qualify for the credit if, I guess when you buy the car, they haven't hit the limit yet, right?

Ash: Correct.

Robert: Okay. Not when you order it, but when you take delivery of it.

Ash: Well, the credit is actually, you basically apply for the credit on your tax return.

Robert: Right, but if you order the vehicle and before you take delivery, what if they hit the limit of the 225,000 or however many they used to get it?

Ash: Oh, that's a good question. That's a good question. That could make a difference.

Robert: So another good question. So don't just, again, don't just automatically assume that you're gonna get the credit if you buy electric vehicle. Do a little research and don't be surprised then when your tax returns filed.

Ash: Oh, absolutely. And that's a great question. I'm actually going to look into that and hopefully address that in a future episode.

Robert: Or we can put it on our blog.

Ash: Or that, yeah. And for all of those listeners out there that didn't know, we also have a blog available online, where we have listings and postings of all the current events and things that we feel like is important information for our listeners and our clients to look into.

Robert: Sounds great.

Ash: Yes, so for those of you out there that have additional questions or may want us to dive in deeper into any of the topics that we talked about, feel free to reach us at info@eandassociates.com and the and is spelled out, A-N-D and we look forward to hearing from you guys.

- Great. Thanks.

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