

SITUATION

A dental practice comprised of multiple entities was made aware of the Employee Retention Credit, and felt that they might meet the eligibility requirements necessary to claim it. Their CPA, who did not handle the ERC credit in-house, contacted TCG to review the operations of the business and to determine if the ERC could be claimed.

Looking at both tax years 2020 and 2021, TCG assessed the business for eligibility under both the “Gross Receipts” test and the “Partial Suspension” test. TCG underwent a thorough review of the company’s various tax entities, revenue details and payroll filings. The assessment revealed that the business had more than a 50% decline in gross receipts during 2020, but less than a 20% decrease in gross receipts during 2021.

ASSESSMENT FINDINGS

Next, TCG interviewed various employees of the organization to understand the totality of the COVID-19 impact on the operations of the business, including the related government mandates forced upon it. Findings revealed that early in the Pandemic, the business was ordered to postpone all elective surgeries and procedures, performing only emergency services. These orders were eventually lifted, but the business was still forced to comply with various social distancing, infection control and cleaning mandates which obstructed appointment scheduling, increased appointment times, and ultimately led to a reduction in the number of patients the practice was able to see on a daily basis.

Underlying revenue data and patient count information analyzed by TCG supported these facts, and revealed that the government mandates imposed upon the practice had more than a nominal impact on the overall business operations. Records revealed that on any given day throughout 2021, the practice saw at least 10% fewer patients than in 2019 and prior.

OUTCOME

The multi-year, multi-entity revenue analysis performed by TCG revealed that the business was eligible to claim the ERC in 2020 under the “Gross Receipts” test. Based upon the strong facts and circumstances and underlying supporting documentation that was gathered, TCG also determined that this dental practice was eligible to claim the ERC in 2021 under the “Partial Shutdown” test.

In total, TCG was able to help the dental practice save over \$400K in payroll taxes with the ERC credit, and was able to efficiently document the underlying findings, so to properly substantiate the credit claims.