



An exclusive newsletter
for Synergi Partners
Puerto Rico



New developments in Congress that can change the ERTC credits landscape

PRBI has received inquiries from businesses that took the Paycheck Protection Plan (PPP) and after further analysis realized that the Employee Retention Tax Credit (ERTC) may have been a more convenient and productive route. The current status of the law is that you can only participate in one of the programs, so up to date you have to live by your initial decision. There seems to be a strong possibility that this may change in the fourth bill of aid being currently discussed.

Current status

If we were to boil down to basics the logic behind the CARES benefits the main driving force behind all the measures, is to jumpstart the economy by maintaining employment in the private sectors. This is why even paying non-working (or partially producing) employees is accepted in order to help companies preserve their employees. In sports terms, even your bench is protected so that you are ready to rumble when the time comes. The logic behind the two main programs (PPP vs. ERTC) is to help two different

realities. The PPP is really geared for businesses that have cash flow problems because of the crisis and are not operating or very partially in business. The cash influx is limited and may not be able to meet payroll because of liquidity problems. Those operations will benefit with a quick capital deposit and their payroll problems are solved for the next eight weeks (And this is the period that counts for the loan forgiveness). The ERTC is really intended for businesses that have been operating and have cash flow and liquidity to be able to meet payroll. The

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All information and opinions rendered are not intended to be legal advice or opinion but a general educational orientation regarding recent developments affecting business in Puerto Rico. Readers should seek experienced professional/legal advice for their specific situation and facts.

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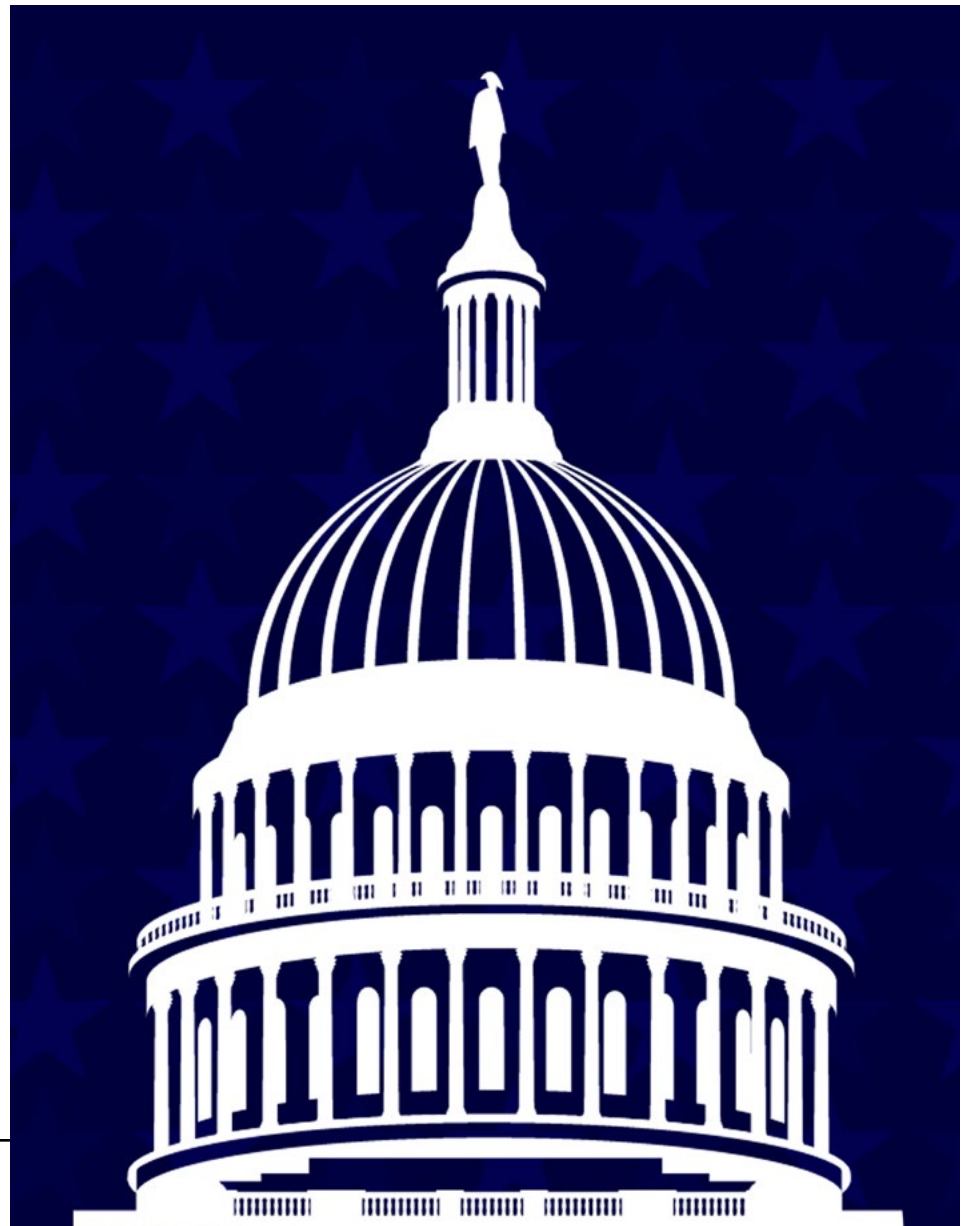
refund is usually larger because the time span that is allowed is well over the 8 week period allotted for the PPP. (Up to 50% of salaries up to 10,000 paid between March 13 and December 31, 2020.) This, of course, is the current state of these benefits.

What's happening in Washington?

As we said before, there is discussion in both Houses regarding a fourth bill with benefits. Although there is much disagreement and the President has said this fourth bill is not necessary we all know we are in election year, unemployment is reaching Depression era levels and

at the end of the day both parties want to claim that they helped the economy so something will be approved. The one area that seems that there is consensus is in extending the ERTC benefits.

Democrats are proposing quadrupling the size of the ERTC. Republicans, which are adamantly opposing many of the Democrat's proposals, seem to favor this one. For example, Rep. Kevin Brady of the Great State of Texas and top Republican on the Ways and Means Committee has said "We are interested in continuing to make that credit work and are willing to discuss in a bipartisan way how to make it work better and expand it"





ARE YOU READY?

Are you ready?

Business owners and decision makers have to be aware of these possible development regardless of the previous decision between the PPP and the ERTC because one of the possible changes is allowing both benefits, as long as there is no double dipping. Right now, as we said, if you chose PPP you cannot claim ERTC but there is a possibility that with the change you can claim ERTC for those salaries that were not used for the PPP forgiveness program (this is the famous prohibited double dipping). If you chose ERTC of course you don't have that problem.

The changes proposed for the ERTC are significant. For example, instead of the currently allowed

50% in ERTC the percentage can go as high as 80%, and the maximum salary considered would increase from the current \$10,000 to \$15,000 quarterly. The current cap per employee of \$5,000 would expand to \$36,000!

Other areas that are being considered for expanding the benefit is the amount of revenue fall needed to qualify with some proposals lowering it to a loss of 10% (currently 50%). Besides that, the benefits currently reserved for businesses with fewer than 100 employees could be expanded up to 1,500 employees.

In summary, it is safe to conclude that some compromise bill will be approved, and the area that at this point there seems to be bipartisan agreement, is the expansion of the ERTC.

Practical Pointer

If you are already a participant in the ERTC program you should monitor to adjust your claim to the more favorable criteria that should be approved. If you chose the PPP route be vigilant to a change that would allow the ERTC benefit also. For those businesses now is the time to engage the experts at Synergi Partners Puerto Rico, who are available on a contingency basis to prepare your ERTC petition when and if these changes are approved and the dual benefit is allowed. Why contract now? At this point no claim can be filed if you benefited from the PPP but if the above described changes do occur, the gates will open and those better prepared will benefit the most. Having a 30 year experienced partner on your behalf will be of benefit and will assure that when the times comes you will have the best team on your side. For more information do not hesitate calling SynergiPartnersPuerto Rico@SynergiPartners.com.

Do non-profit organizations qualify for the Employee Retention Tax Credit?



With the CARES act, different from previous tax credit benefit (i.e. Maria) non-profit organizations are allowed to claim the ERTC benefit. The law states that any employer, regardless of size is eligible for the credit during calendar year 2020 if the business is fully or partially suspended due to a governmental order related to Covid-19 (which is the case of Puerto Rico up until now) or the business experiences a significant decline in gross receipts (currently over 50%). The credit also applies to tax-exempt organizations, if the operation were fully or partially suspended due to a government order.

In the case of Puerto Rico the first criteria is met since we have been under a quarantine order since March and it seems some form of it will be in place through out the summer.

*Governor Wanda Vázquez
governor announces
changes to the executive
order regarding the
quarantine.*



New executive order announced on May 21, 2020

Once again, when about to close this newsletter, the governor announced changes to the executive order regarding the quarantine. These are effective next Tuesday, when the current one lapses. Although the official order was not published at this time the following are some of the key changes:

1. Everyone has to use facemask.
2. Curfew stays in place until June 15 (5am to 7pm).
3. Restaurants can open the dining area but only with 25% of the capacity. Delivery can be offered until midnight.
4. Retail stores can open 9am-5pm. Strip malls to 50% capacity. Enclosed mall can admit 1 person per 100 square feet.
5. Churches can open Saturday and Sunday with strict protocols and limited capacity.
6. Car dealers can operate 9am-5pm.
7. Travel agents can operate 9am-5pm.
8. Funeral homes limiting 10 persons at a time per service.
9. Supermarkets stay the same but deliveries up until midnight.
10. Marinas- Vessels can be used but cannot dock anywhere but in the marinas. No rafting allowed, nor the use of moorings.
11. Real Estate Agents can show empty properties.
12. Racetrack- Camarero can open but without public. Agencies can operate.
13. Gymnasiums remain closed.
14. Government- Administrative employees will return on June 1.

The actual order has yet to be published so we need to wait for it in order to ascertain the details for specific businesses.