



# News from Capitol Hill

## Republicans reveal their proposal for the next Pandemic Aid bill

### Unemployment Benefits

Still at the Committee Level, the most controversial item is what to do with the unemployment benefits. The controversy is even within the republican ranks. The controversy stems from the fact that the original 600-dollar weekly supplement was for many recipients much more than their rate of pay when employed. If we are dealing with minimum wage employees, it more than doubles the take home pay. The question then was if the high unemployment rate was due to lack of employment possibilities or if benefit recipients preferred to continue staying at home. Although there are supposed to be some safeguards to prevent this from happening, the truth

is that it is very difficult to control at the level the aid is flowing. The other unspoken issue is the fraud level being discovered in the program.

Be that as it may Section 101 of the Bill continues the payment at \$200 per week through September. In October it would be replaced with a payment (up to \$500) that when combined with the state unemployment benefit would replace up to 70% of lost wages. There is also language beefing up return to work requirements. This is expected to be a matter of discord with the democrat members of Congress.

There are also included important appropriations (in the order of billions) for state government unemployment insurance systems which are financially

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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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hurt due to the increment in usage. There are also monies allotted for technology support given the problems faced by many states in distributing these funds, once again, because of the dramatic increase in the number of new recipients.

#### Rebates to taxpayers

Subtitle A includes relief for individuals and families substantially following the previous \$1,200 rebate send to taxpayers. The amount is the same, although there is more flexibility in terms of the definition of dependents and additional amounts to be received per dependent. Like the one under the CARES Act it will be protected from federal or state debts with the exception of past due child support.

The most interesting changes, and apparently without much controversy behind it, are the ones to the Job Creation and Employment Programs. As Puerto Rico Business Insider had anticipated in many previous issues the divide between Paycheck Protection Program (PPP) and the Employee Retention Tax Credits (ERTC) will tumble down. Although no double dipping will be allowed this still allows for many millions to be injected in the economy through these tax credits. Which once obtained have no restriction as to how to spend them (unlike PPP funds).

Section 211 increases from 50% to 65% the portion of the wages paid that will be refunded. The cap of \$10,000 is maintained but redefined. Under the Cares act it was for the duration of the program until December 31, 2020. This proposal would allow the \$10,000 to be quarterly up to \$30,000 for the

calendar year. In other words, the \$5,000 possible maximum return under CARES Act goes to \$19,500 if the bill is approved as it currently stands. This of course is great news.

Under the CARES Act to be eligible for the benefits one of two general criteria had to be met. The operations were fully or partially suspended due to a Covid-19 related shut-down order or the gross receipts declined by more than 50% as compared to the same quarter on the previous year. In the case of Puerto Rico, and many other jurisdictions the first part has been met since the first quarter. However, the new legislation lowers to 25% the loss of receipts. This obviously makes it easier to qualify once the orders are lifted.

The other significant change to the ERTC program is the treatment of employers according to the quantity of employees. Under CARES Act, employers with under 100 full time employees the credit is based on all wages paid to an employee. The new bill increases the 100-employee threshold to 500 employees.

#### Work Opportunity Tax Credit (WOTC)

The WOTC provides an elective tax credit to employers hiring individuals who are in one or more of ten targeted groups. Generally, the maximum credit per employee is \$2,400 (40% of the first \$6,000). Section 212 proposes adding a new targeted group, the 2020 qualified Covid-19 unemployment recipients. It also increases the credit for this targeted group to 50% of the first \$10,000 in wages.



### **Safe and Healthy workplace tax credit**

Section 213 establishes a refundable payroll tax credit equal to 50% of an employer's qualified employee protection expenses, such as testing for Covid-19, protective personal equipment, cleaning supplies, reconfiguration expenses, technology expenses (i.e. contact less point of sale systems). There are caps based on number of employees, but they seem to be very attractive. \$1,000 per employee for each of the first 500, plus \$750 for each employee between 500 and 1000, plus \$500 for each employee over 1000. Save your receipts!

### **Covid-19 assistance provided to independent contractors**

The so-called gig-economy entrepreneurs quickly discovered that they had limited access, if at all,

to the existing programs of the PPP and the ERTC. Section 214 opens up the possibilities of aids to this sector of the economy. If you are in this category be on the lookout for the final wording and possible programs that will be available.

### **Final thoughts**

The American Workers, Families, and Employers Assistance Act has many more areas of opportunity and assistance. We concentrated on those of more interest to business owners. It has important sections regarding pension plans, health care industries, telemedicine, nursing facilities and support to local government entities. Of course, if the politics are not set aside promptly, it could take weeks of negotiation and the crisis will deepen. Hopefully all concerned will promptly see the light.



# The Puerto Rico Scene

## Politics and the weather combine to bring Puerto Rico Economy to a standstill

The primary race is heating up, especially in the New Progressive Party camp, with serious accusations from both sides. The Governor is in the midst of various corruption investigations and her campaign is accusing her rival of an illegal relationship with some Political Action Committees (PAC) in order to avoid collection limits. PAC's have few restrictions but their first amendment protection depends on not coordinating the campaign with a candidate.

The opening of the economy has of course elevated the number of cases to an alarming rate. Part of the problem is being blamed on reckless conduct, both by residents and tourist, misbehaving and in "party-mode" not following the basic rules

of personal protection equipment use and physical distancing. The current order is in place until the end of July and rumor has it that the Governor is going to further restrict activities. The current order enhanced restrictions basically destroyed what was left of the tourism sector, hitting very hard the hotels (it closed the casinos, swimming pool and the beaches), restaurants are closing or limiting services on a daily basis, cinemas and Gymnasiums were closed.

On top of all, this week Puerto Rico faced a Tropical Depression that turned into a named storm (Isaias) while passing to the south of the Island on Wednesday night. The very few government employees that were working were

sent home, so this week is another economic loss for most businesses. The Governor requested, and the President approved, the emergency declaration but that should be of little hope considering that the Maria help (three years ago) has yet to flow into the economy. The same can be said for the earthquake aids.

Next 10 days the interest will be around the primary (August 9) and once that is resolved some tranquility will be hopefully felt for the next few weeks. Of course, it all depends on who the winners are and what happens in the hurricane prone months of August and September.

#### **Federal Programs Available**

Given the realities of politics everywhere business owners need to concentrate on surviving without the help of local government. Ironically both at the federal and state level we are facing crisis. Be it incompetence, corruption or sheer politics the relation between the President and many State governments is not, to say the least, a healthy one. This means that resiliency has to be individually practiced. This does not mean facing it alone. This is why we have been recommending adding to your team key players that can help you maximize the opportunities. Synergy Partners is one of such players. When it comes to Federal Tax Credits, they are second to none. Not only do they have over 30 years of experience in handling this type of programs but in the specific case of the hurricane

Maria programs they were able to identify and help businesses obtain over 800 million dollars. This was direct federal money injected into the Puerto Rico economy through private enterprise.

It should be noted that Synergy Partners Puerto Rico is available to assist Hispanic and non-profits organizations stateside making it a winning combination with the proven technical expertise stemming out of the Florence, North Carolina headquarters. Now more than ever you should contact Synergy Partners Puerto Rico for a consultation even if you have participated in the PPP or in the ERTC through another consultant. Many opportunities are opening, the consultation is free, the fees are on a contingency basis so your cash flow is not affected and you will see the difference. (787) 433-8000

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