



Biden promises help to Puerto Rico in all fronts

Expanding on the notion of having someone from the federal side overseeing what happens in Puerto Rico, Biden announced that he would create a federal working group for Puerto Rico. Not many more details regarding role or composition but it “sounds” like an expansion of Trump’s idea of appointing Rear Admiral Peter Brown as a special envoy to keep the White House informed on Puerto Rico matters. RA Brown so far has not been very effective except for public relations meetings and appearances, one this past week just after the Biden announcement.

The support promised by Biden can be summarized in 4 areas:

1. Supporting a full recovery and infrastructure reconstruction to modern standards

a. Biden promises access to promised reconstruction funding while ensuring transparency and accountability for public funds.

According to recent reports Puerto Rico has only been able to actually use 3% of the monies assigned by the Trump Administration. The federal government is accused of making it very difficult for the territorial government to access the assignments due to the real or perceived notion the local government is either incompetent or corrupt. Biden claims he will instruct HUD to remove the onerous restrictions that limit access to the CDBG-DR funds. It is not clear how he will assure transparency and expediency in these processes. Probably there will be new players in the government to be elected on November so the much-discredited

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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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officials of the current government will be out, permitting a “fresh start”. This of course depends on who wins the elections given that the NPP candidate has close campaign ties with the Roselló team and may choose to keep part of the cabinet.

b. Creating an alternative for forgiveness of FEMA loans for Puerto Rican municipalities.

This is an important subject because these FEMA loans are usually forgiven to the stateside municipalities but in the case of Puerto Rico it can only happen at the discretion of the Secretary of Homeland Security and the Secretary of the Treasury. In other words, is in the hands of the highest level of the cabinet and a purely “political” decision. This could be of importance given the hard-hit economic situation of most municipalities.

c. Biden claims that he will ensure that recovery funds benefit local businesses

This area is thorny. Most of the FEMA aid usually favors large “FEMA experts” stateside companies that have the experience to handle the complex regulations and the bonding capacity to tackle large projects. This means that locals only benefit from the trickling-down of the funds.

d. Rebuilding Puerto Rico’s infrastructure.

Citing the American Society of Civil Engineers grade of “D-“ given to Puerto Rico’s infrastructure, Biden promises to include Puerto Rico in his cornerstone economic plan to rebuild the nation’s infrastructure. There is language to support rebuilding the coastal towns to withstand future storms.

2. Investing in Puerto Rico’s future through economic development initiatives and support for families

a. Strengthen and improve Puerto Rico’s power system.

Biden is promising a low-cost, reliable, and clean electrical system through the modernization of power generation, transmission and distribution infrastructure. If you believe in coincidences it was precisely this area that the Trump administration announced a 13,000 million investments a couple of days after Biden’s announcement, in a much touted press conference by the Governor, the Resident Commissioner and Rear Admiral Brown.

b. Improve access to affordable, quality health care.

Biden is promising Medicare parity, improvement in Medicare Advantage rates, increase in funding for community health centers (Centros 330), and Covid-19 health services. This is another area of difficulty for Puerto Rico’s credibility given that they were not able, for reasons that are not altogether clear, to spend around 1,000 millions that were assigned under the Trump administration. Once again the incompetence of the current administration in handling programs greatly affect the credibility of the territorial government aiding those who are against appropriating more money for Puerto Rico.

c. Provide Puerto Rico equal access to nutrition assistance.

Biden seems to be promising parity under SNAP program which currently does not apply to Puerto Rico and the local government depends of Congress block grant program. He cites and unnamed 2015 study that shows that 33% of the population is food insecure, and points out that this number is likely to be higher given the hurricanes, earthquakes and pandemic.

d. Provide Supplemental Security Income (SSI) benefits.

This matter is currently under the

Supreme Court scrutiny and the Trump administration is against SSI being granted to Puerto Rico residents. Biden promises to ensure access to these benefits.

3. Providing relief from unsustainable debt

a. Reverse the fiscal austerity policy imposed by the FOMB.

Biden distances himself from the Board and succinctly says that he will work on reviewing the fiscal austerity measures. He seems to forget that PROMESA was an Obama/Biden legislation, and although the Board was controlled by the Republicans changing it will require legislation, which will be very controversial, even if he controls both houses.

b. Voice for Puerto Rico representatives in financial matters

Once again, PROMESA says what it says, he promises clarification on the respective roles of the local government and the FOMB but that only seems possible by naming new persons (there are currently three vacant slots which if filled by Trump make it difficult for the next president to implement changes without new legislation which is an unlikely process.

c. Audit the Puerto Rico's debt.

Biden seems to be adopting the left wing (both Puerto Rico and

U.S) proposal of auditing the debt to determine if any was illegally emitted. This is a controversial route that will be very expensive and extend the PROMESA process by various years. (Theoretically no debt restructuring can be worked out until it is ascertained which debt is valid)

d. Protection for low-and moderate-income people and pensioners in the debt restructuring process.

Another politically charged subject that borders on demagoguery. Not many details are included in the proposal but the phrase that Biden will work to protect pensioners in the context of debt restructuring.

4. Expanding access to education and workforce development.

a. Invest and rebuild the public school system.

He is promising 1.2 billion in Title I funds and 300 million under IDEA. This would put the Education budget at around 4.5 billions. Once again the challenge is to dramatically change the department's reputation under the current Secretary that has failed to address the pandemic crisis and has not been able to effectively commence the semester after passing all students without any academic criteria last year.

b. Invest in school infrastructure.

This area has to do with the physical

aspect of the schools and Biden promises to include specific funds for Puerto Rico in his 100 billion proposal for school construction in the Nation. Although no specific number is included an important amount could be expected given that he points out that 95% of the schools in Puerto Rico do not meet earthquake building codes.

c. Provide pathways to college and the workforce

On this area he proposes yet another cross-agency Puerto Rico task force to deal with post education employment. There is a long-standing problem of the educational system not being in phase with the market. In other words, the problem is real and worthy of tackling but the proposal does not seem to have details to ascertain if success will be attained.

d. Support for the UPR as engine for economic growth.

Again a borderline demagoguery proposal that only states that he will include the UPR in his national 70 billion plan for Minority-Serving Institutions.

e. Increase mental health support.

Biden says he will dramatically increase investment in student's mental health by doubling the number of psychologists, school counselors, nurses, social workers, and other health professionals in Puerto Rico's schools.

Final Analysis

Of course the promise of more funds is always good news. However we cannot forget that we are in the middle of the 2020 political campaign. The Republicans countered pointing out to all of the aid that the current administration has assigned, at least on theory, to Puerto Rico. The Biden plan contains important proposals for direct help (i.e. SSI or food stamps) but most of the aid will come through the central government. This type of aid has proven to be unsuccessful because of the local government incompetence or corruption. If we do not address the issue of having a good administration, transparent government, these proposals will be of little help, just as Trump assignments have not helped Puerto Rico come out of the now 15 year old economic crisis.



PAYCHECK PROTECTION PROGRAM

The Government finally announces the regulations regarding the local payroll protection plan

Around two months ago the Governor had announced that out of the 2.1 billion Covid-19 funds assigned to Puerto Rico, 350 million would be assigned to help the small and medium sized companies. This week finally the P.R. Treasury Department (Hacienda) published CCRI 20-38 that contains the regulations regarding this program. The name in English is Payroll Protection Program but is very different from the CARES PPP. In order to avoid confusion we will refer to it by its Spanish acronym PPN.

Eligibility requirements

1. Up to 500 employees businesses
2. Up to 10 million business volume
3. Was in operation with employees by March 15, 2020.
4. Duly registered with the government
5. Has had Covid-19 related

expenses

6. No double dipping with federal programs
7. Has to remain in operation with the same number of employees used to qualify for at least eight weeks from disbursement.

Qualified expenses

The benefit is for payment of salaries and compensation for the period between March 1 and December 30, 2020. Compensation is defined as:

1. Salary, commissions or any other compensation of that nature that is included in the payroll.
2. Cash tips as registered by the employer or a reasonable amount if not registered.
3. Payment for vacation, sick, maternity, parental or family leave.

4. Payment of medical or retirement plans.

Non-qualified expenses

1. Reimbursed Covid-19 expenses by any governmental program (local or federal) or by private insurance.
2. Compensation paid to employees outside Puerto Rico
3. Compensation in excess to \$100,000. (pro-rata for the 8 weeks)
4. Payroll or income taxes
5. Sick or Family Federal leaves if credited by the Federal government
6. Bonuses
7. Severance Payments
8. Executive bonuses
9. Debt financing costs
10. Any expense non covid-19 related.

Formula to determine amount of aid.

It has a rather complex two-prong test to determine the quantity that takes into account losses and number of employees.

First step

Determine net income for April, May and June, 2020 and same period for 2019. Compare them and establish the losses incurred. If there is no loss the business is not eligible. For those that were not in operation for that period in 2019 there are various alternatives that can be followed.

Second Step

Subtract from the loss all aids received from other Covid-19 programs. If the aids are more than the loss the business is not eligible for the PPN.

Third Step

Multiply the adjusted loss from the second step for the percentage allowed based on the quantity of employees.

1-25	60%
26-50	55%
51-100	50%
101-250	45%
251+	40%

These three steps determine the amount of aid based on loss of net income. The next step will calculate the possible aid based on number of employees.

Fourth Step

Multiply the number of eligible employees by the amount allotted based on the type of business. Following the NAICS codes the number per employee ranges from 1,000 (most classifications) to 1,500 (two sectors) (Please check the CCIR 20-38 for the details of the NAICS of your business and the quantity allowed.

Final calculation

To determine the amount your business can request compare both calculations (business volume vs. number of employees formulas) and you are entitled to the lower quantity. The application is filed using SURI.

Final Note

If you have Synergi Partners Puerto Rico as your consultants they are ready to assist you in the request for this program. If you have not yet contacted Synergi this is a good moment to engage them. Remember the consultation is free and the contract is on a contingency basis so your cash flow is not affected. Please feel free to contact Synergi at 787 433-8000 or 787 520-7503 or write to SynergiPuertoRico@synergipartners.com.



What do Synergi Partners clients say about their services

Efrain Nuñez, Inc is an important distributor of cooked and baked goods and conducts business throughout Puerto Rico. The company offers and operates as an importer, warehousing, and distributor of bakery products for the manufacturing and retail sectors.

Vanelis Meléndez the Finance Manager indicated that they became Synergi clients in the María aftermath on or around September 2019. “Contracting them was an excellent decision. Thanks to their diligent work we were able to obtain more than five times the benefit we had been able to request. We could confirm that the people at Synergi are indeed experts in maximizing federal credits for their clients”

Melendez added that once again they were approached by Synergi for the Covid -19 related Employee Retention Tax Credits (ERTC) and her company did not hesitate in contracting with

them. “By August we had received around 70% of the benefit and we have no doubt that when December comes we will have reached (or exceeded) the initial projections. There is no doubt that having Synergi’s expertise on our side during the pandemic has made the difference in obtaining this benefit which has been a great help to our company”.

Meléndez feels that Synergi consultants are very diligent and always available to assist and answer our questions. “They are up to date in the amendments and requisites to obtain these credits. Definitely we recommend them!”

For more information please contact Synergi Partners Puerto Rico at 787 433-8000 or 787 520-7503 or write to SynergiPuertoRico@synergipartners.com.



PUERTO RICO

“La razón principal del Grupo Synergi es la interpretación, aplicación e integración efectiva de toda legislación federal, estatal o municipal dirigida a impactar positivamente la comunidad empresarial a través de créditos contributivos federales o estatales, así como, programas de recuperación económica por pérdidas ocasionadas por desastres naturales.”

Rodrigo Masses
Presidente

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La Consulta es **GRATIS**