



Advisory



Business



PPP

# Private Sector Payroll Protection Program

September 18, 2020

The Federal Law P.L. 116-136, Section 5001, of March 27, 2020, known as the "Coronavirus Aid, Relief, and Economic Security (CARES) Act", established the Coronavirus Relief Fund ("CRF"). This relief fund was created for all the states and territories of the United States, and in which Puerto Rico was allocated with \$2.2 billion for necessary economic assistance to companies, employees, businesses, and municipalities. The Governor of Puerto Rico issued Executive Order OE-2020-40 with the purpose of establishing a strategic disbursement plan of the funds received under Section 5001 of the CARES Act.

The Governor's plan establishes the Private Sector Paycheck Protection Program ("the Program") in order to provide economic assistance to businesses that:

- have had a reduction in revenues caused by interruptions to their business operations as a result of the measure taken against the COVID-19 pandemic, and
- have continued to make payroll payments to their employees during this interruption.

The Puerto Rico Department of Treasury has released a statement that defines the process to request assistance under this program. Section 5001 of Federal Law P.L. 116-136 establishes that in order to qualify for the assistance, businesses must:

- be a private sector business that employs a maximum of five hundred (500) employees;
- have an annual gross income of \$10,000,000 or less dollars;
- have been in operation on March 15, 2020 and paid wages that were subject to payroll taxes ;
- have a valid Merchant's Registration Certificate;
- have incurred expenses related to the emergency caused by the pandemic; and these expenses were not incurred after December 30, 2020 (evidence of these expenses must be kept);
- confirm that funds received through this program will be used to cover emergency-related expenses that were not covered by other federal or local assistance, and that will not be included in the application of future assistance programs.
- remain operating for a minimum period of eight (8) weeks from the date of receipt of funds and retain the same levels of employees as were reported when the assistance was requested.

The Program defines the following expenses as eligible in order to comply with the requirements:

- funds must be used for payroll and employee compensation expenses for a minimum period of eight (8) weeks once the financial assistance is granted.
- expenses must be incurred between March 1, 2020 and December 30, 2020 to be deemed eligible. Eligible expenses are:
  - salaries, commissions, and any other compensation;
  - cash tips or equivalent payment;
  - payment for vacation, parental, family, medical or sick leave; and
  - payments for employer’s share of health care benefit plans, including insurance premium payments, and employer’s contributions to retirement plans.
- evidence of these expenses must be kept for at least five years.

The Program also specifies which costs are ineligible, these are:

- expenses already covered by other assistance programs (federal or local) or claimed under private insurance policies;
- compensation to employees whose principal residency is outside of Puerto Rico;
- compensations in excess of \$100,000 on an annualized basis;
- employer and employees’ payroll taxes;
- payment of sick or family leave claimed under the “Families First Coronavirus Response Act”;
- bonuses paid to employees and company executives;
- severance payments;
- costs related to debt refinancing; and
- any other expenses deemed not necessary to continue operations under the COVID-19 emergency.

### Determination of the economic assistance

The amount an employer can receive for assistance under the Program is based on several factors summarized below:

Step	Calculation
1. Calculate total Q2 decline vs prior year	Q2 2019 Net Income – Q2 2020 net income = Total Q2 decline
2. Identify Qualified Decline	Total Q2 Decline – 2020 Federal Funds Received= Qualified Decline
3. Calculate Award Cap 1 (income decline)	Qualified Decline x Rate % (based on number of employees) = Award Cap 1
4. Calculate Award Cap 2 (Per Employee)	# of Employees x Grant Rate (based on NAICS code) = Award Cap 2
5. Determine Grant Award	Identify the lower Award Cap: <ul style="list-style-type: none"> <li>• Award Cap 1 &lt; Award Cap 2 = Award Cap 1</li> <li>• Award Cap 1 &gt; Award Cap 2 = Award Cap 2</li> </ul>

The application period opened on September 14, 2020. Applicants can submit their applications through SURI, where they will also be notified about funding decisions. Grants will be disbursed in as first-come first-served basis until fully disbursed.

Businesses that familiarize themselves with the PPP forgiveness program and the Coronavirus Relief Funds grants are one step closer to ensure that their businesses come out of the pandemic as strong as ever.

We are committed to keep you updated of all developments that may affect the way you do business in Puerto Rico. Please contact us for assistance in relation to this or any other matter, we will be glad to assist you.



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