



Financing Opportunities with the Economic Development Bank for Puerto Rico

By: **Carlos R. González-Martínez, CPA**

The Economic Development Bank for Puerto Rico (herein after referred to as the “EDB”) was created by the Puerto Rico Development Bank Act (Act 22 of July 24, 1985) to promote the development of the private sector of the economy in Puerto Rico. It offers financing opportunities to any person or business organization by providing direct loans or credit lines for the acquisition of existing properties or for new construction to establish a business, to add new machinery and equipment, to expand current operations or for working capital needs at competitive interest rates. The financing rate on the loans from the EDB will depend on the credit score of the solicitor but will generally be between four percent and eight percent, and that rate can be fixed or variable. In order to qualify for the loans with the EDB, the solicitor will need to demonstrate compliance with the filing and payment requirements from the Puerto Rico Treasury Department, the State Insurance Fund Corporation, the Department of Labor and Human Resources and the Municipal Revenue Collection Center. In case there is a tax debt with these agencies, there must be in place a payment plan with them in order to be able to apply for the loan. Other requirements to apply for a loan with the EDB include the submission of a business plan, financial statements and revenue projections, financial information from the owners of the business, and documents related to the real and personal property that will be used as collateral for the loans.

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One big difference between the EDB and the traditional banks is that the EDB offers financial resources for new businesses (“startups”), who may encounter difficulties in other financial institutions to obtain financing. Another benefit is that young entrepreneurs with a tax exemption decree under Act 60-2019, as amended, and who are establishing a business for the first time, will have an automatic moratory in the payment of principal and interest for the first six months of the loan. In the case of businesses engaged as restaurants or franchises, the EDB also offers a moratory for the first six months of the loan, but only for the payment of principal.

The maximum amount for a loan with the EDB is \$1,000,000. However, depending on the amount of the loan requested, the solicitor may be required to invest from his own money a certain percentage of the loan as follows:

Loan Amount	Minimum % of Investment Required
Up to \$50,000	No Investment
Over \$50,000 up to \$150,000	10% Investment
Over \$150,000 up to \$1,000,000	20% Investment

The EDB has developed various financing programs with the intention to encourage the growth of the economic activity in Puerto Rico which include the following:

- Small and medium enterprises
- Microentrepreneurs – self-employed individuals or enterprises with five employees or less
- Entrepreneur women – businesses with a women participation/ ownership of at least 51 percent
- Restaurants and franchises
- Agriculture
- Young entrepreneur
- Not-for-profit entities

The disbursements to be made by the EDB on the approved loans will generally be supervised by a team and, before the approval, they will request invoices, supporting receipts, copy of contracts and will analyze the accounts receivable aging and accounts payable aging.

The whole process since the application for the loan until its approval may generally take between four to six months.

ATBA Comments:

Puerto Rico has experienced difficult times in the last couple of years, particularly due to the pandemic, the high cost of energy and the lack of employees, among other challenges. It is important for businesses to recognize the opportunities available to obtain financial assistance to keep their businesses afloat. In case you were not aware, the EDB offers an alternative for the financial needs of your business. If you think this could be an opportunity you would like to consider for your business, you can visit bde.pr.gov or contact one of our tax specialists for more information.

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Carlos is a Member at Alvarado Tax & Business Advisors LLC (ATBA) and has over twenty five years of experience in the corporate and individual tax advisory area with various international firms and industries. He provides corporate tax services for clients in telecommunications, manufacturing, service and retailing industries, and also is the Operations Manager for the Tax Resolution and Outsourcing Services divisions.

Prior to joining ATBA, Carlos had a seven-year-plus career with Puerto Rico Telephone Company (PRTC) as Executive Tax Advisor in charge of the corporate tax division, and a three-year career with Caribe General Electric as Tax Manager. Prior to that, he worked for ten years in public accounting firms, including experience in both audit and tax, with KPMG, Price Waterhouse LLP's Corporate Tax Practice and Arthur Andersen's Tax Practice. While at PRTC, Carlos was the project leader and successfully implemented the new sales and use tax rules, modifying more than ten different systems and affecting the operating guidelines of fourteen departments.

Carlos has a BBA major in Accounting from the University of Puerto Rico. He is a member of the Puerto Rico Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

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