

**Q&A: Payroll Support Program Extension (PSP2) for Passenger Air Carriers and
Contractors
January 19, 2021**

PAYROLL SUPPORT PROGRAMS

1. What are PSP1 and PSP2?

The original Payroll Support Program, which we refer to as PSP1, was established in March 2020 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide support for passenger air carriers, cargo air carriers, and certain contractors. PSP2 means the additional Payroll Support Program that was established in December 2020 under the Consolidated Appropriations Act, 2021 (PSP Extension Law). PSP2 provides additional payroll support for passenger air carriers and contractors.

AWARDABLE AMOUNTS

1. For contractors that did not participate in PSP1 and are applying for PSP2, what payroll-related expenses should they include for purposes of calculating their requested PSP2 award amount?

Contractors that apply for PSP2 but that did not participate in PSP1 must submit to Treasury a sworn financial statement regarding their requested PSP2 awardable amount. The amount should only include wages, salaries, benefits, and other compensation the contractor paid to its employees during the relevant time period. Among other things, the requested PSP2 amount must not include any of the following: (1) payments to independent contractors, including amounts reported on IRS Form 1099-MISC; (2) wages, salaries, benefits, and other compensation paid to corporate officers, as discussed in Treasury’s “Guidelines and Application Procedures for Payroll Support to Passenger Air Carriers and Contractors” (December 29, 2020); (3) the employer portion of Federal payroll taxes; (4) the employer portion of state and local employment taxes; or (5) per-diem expenses.

2. Can PSP1 recipients request an increase in their PSP1 award amounts?

No. Treasury is not considering requests to increase PSP1 awardable amounts.

RECALLS

1. Are PSP2 applicants required to provide evidence that they attempted to recall any involuntarily terminated or furloughed employees?

Yes. Passenger air carriers and contractors are required to recall certain employees who were involuntarily terminated or furloughed. Specifically, within 72 hours after entering into a PSP2 agreement with Treasury, passenger carriers and contractors must recall any

employees they involuntarily terminated or furloughed between March 27, 2020 (for applicants that did not receive financial assistance under PSP1) or October 1, 2020 (for applicants that received financial assistance under PSP1), and the date of the applicant's PSP2 agreement. PSP2 participants will be required to provide documentation showing that, within 72 hours after their PSP2 agreement became effective, they recalled all involuntarily furloughed or terminated employees in accordance with this requirement.

2. What does “recall” mean under PSP2?

For passenger air carriers or contractors applying for PSP2, “recall” means the dispatch of a notice via mail, courier, or e-mail to an involuntarily terminated or furloughed employee notifying the employee that (1) the employee must, within a specified period of time, elect either (a) to return to employment or bypass return to employment, in accordance with an applicable collective bargaining agreement or, in the absence of a collective bargaining agreement, company policy; or (b) to permanently separate from employment with the passenger air carrier or contractor; and (2) failure to respond within such time period specified shall be considered an election to permanently separate from employment with the passenger air carrier or contractor.

3. What additional recall requirements apply to contractors that participated in PSP1?

Any contractor that participated in PSP1, had remaining unspent PSP1 funds as of December 27, 2020, and conducted involuntary furloughs or terminations or reduced employee pay rates and benefits between March 27, 2020, and the date of the contractor's PSP1 agreement with Treasury, is required by the PSP Extension Law to recall those employees. This requirement applies regardless whether the contractor applies for PSP2.

For purposes of this requirement for contractors that participated in PSP1, “recall” means the dispatch of a notice via mail, courier, or e-mail to an involuntarily furloughed or terminated employee notifying the employee that (1) the employee must, within a specified period of time that is not less than 14 days, elect either (a) to return to employment or bypass return to employment in accordance with an applicable collective bargaining agreement or, in the absence of a collective bargaining agreement, company policy; or (b) to permanently separate from employment with the contractor; and (2) failure to respond within such time period specified will be deemed to be an election to permanently separate from employment with the contractor.

Contractors that participated in PSP1 may be required to provide documentation showing that they recalled all involuntarily furloughed or terminated employees in accordance with this requirement.

Treasury may waive this recall requirement if the contractor certifies that it has or will have insufficient remaining PSP1 funds to keep recalled employees employed for more than two weeks upon returning to work. Treasury will make available an online form for requesting a waiver, and affected PSP1 participants will be notified when the form is

available. Treasury will require PSP1 participants to submit additional information regarding their remaining amount of PSP1 funds before approving a waiver.

COMPLIANCE

1. If a passenger air carrier or contractor has been notified by Treasury that it is non-compliant with its PSP1 agreement or a CARES Act loan agreement with Treasury, is it eligible for PSP2?

PSP1 recipients that have been determined by Treasury to be noncompliant with their PSP1 agreement are notified in writing regarding the nature of their noncompliance and Treasury's proposed remedy.

Noncompliant PSP1 recipients may apply for PSP2 while the noncompliance or remedy is being reviewed or implemented. However, Treasury will not approve an applicant for PSP2 until Treasury makes a final determination regarding the remedy for any PSP1 noncompliance and the noncompliance has been remediated. Similarly, any PSP2 applicant that received a loan directly from Treasury under section 4003 of the CARES Act must be in compliance with the terms of its loan agreement for Treasury to approve its PSP2 application. If a PSP2 applicant that also received a loan from Treasury under section 4003 is not compliant with the terms and conditions of that loan, Treasury will not approve the applicant for PSP2 until Treasury makes a final determination regarding the remedy for the noncompliance and the noncompliance has been remediated.

2. Will I be required to register in SAM.gov?

All PSP2 recipients are required to be registered in SAM.gov within seven days after their PSP2 agreements are finalized. Failure to successfully register in SAM.gov after seven days may result in the delay of disbursement of funds to the applicant or termination of the PSP2 agreement.

After an applicant registers in SAM.gov, validation of data by SAM.gov may take 10 or more days to complete. It is prudent to start the SAM.gov registration process immediately when you apply for PSP2. PSP2 applicants that are not registered in SAM.gov are encouraged to review the General Services Administration (GSA) requirements and registration instructions for establishing an account for registering with SAM.gov:

[https://www.sam.gov/SAM/transcript/Quick Guide for Grants Registrations.pdf](https://www.sam.gov/SAM/transcript/Quick%20Guide%20for%20Grants%20Registrations.pdf).

Please note that a DUNS number, issued by Dun and Bradstreet, is required for SAM.gov registration. If your company does not have a DUNS number, please go to <https://www.dnb.com/duns-number/get-a-duns.html> for instructions on creating a DUNS number.