

Congress of the United States
Washington, DC 20515

November 15, 2017

The Honorable Paul Ryan
Speaker
United States House of Representatives
H-232, U.S. Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
317 Russell Senate Office Building
Washington, DC 20515

Dear Speaker Ryan and Majority Leader McConnell:

Puerto Rico, home to 3.4 million Americans, is in a crisis following a decade-long recession, fiscal turmoil, and devastation from two recent hurricanes. Addressing the needs of these citizens is our duty as fellow Americans, which is why we were sorely disappointed with the tax packages currently being considered in both the House and Senate. Both bills ignore the special circumstances facing the Island as a Commonwealth of the United States, given that Puerto Rican residents cannot avail themselves of some of tax benefits provided to residents on the mainland.

While we support efforts to fix our broken tax code, both bills fail to provide enough relief to assist in Puerto Rico's long-term recovery, and we strongly encourage additional provisions be included in both bills before final passage. Specifically, we ask that you include permanency for the rum cover and Section 199 domestic manufacturing production credit for Puerto Rico, expand the child tax credit (CTC), extend the use of the earned income tax credit (EITC), and address problems for companies operating in Puerto Rico.

We applaud the effort to include the now-expired cover-over of rum excise taxes to Puerto Rico and the U.S. Virgin Islands and the Section 199 tax credit for domestic manufacturing in Puerto Rico. However, as drafted, these provisions are only temporary and do not go far enough. To better meet the needs of the Island, it is critical that you retroactively make permanent these two code sections. The rum cover would provide budgetary support to the territorial governments, while the Section 199 credit would be another step toward job creation and economic growth in the territories, helping the island's immediate recovery and long-term fiscal health.

Additionally, we should ensure that working families in Puerto Rico are provided with the same tax relief that Americans in the mainland receive. The CTC was established in 1997 and is a critical tool to help lift families out of poverty by providing a refundable credit. Yet, only families in Puerto Rico with three or more children are eligible. As was recommended by the Bipartisan Congressional Task Force on Economic Growth in Puerto Rico, Section 24 of the Internal Revenue Code should be amended to allow for families with fewer than three children to claim the credit

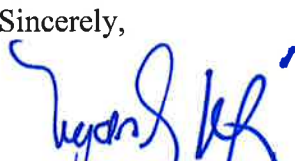
and for the more generous formula - the one available in all 50 states and the District of Columbia - to be used to calculate the amount of the refund payment.

In addition to the CTC, the EITC is another method by which Congress can modify the tax code to benefit individuals and families in Puerto Rico. The EITC has a substantial impact on families' economic security and has been a proven financial incentive since its establishment in 1975. Unfortunately, Puerto Rico residents have never been granted the ability to utilize the EITC. The extension of EITC to Puerto Rico would boost labor force participation and consumer spending by rewarding the work of low-income families.


Finally, while it is admirable to reform the international tax system, the bills remove any existing incentives for multinational companies to invest in Puerto Rico; and therefore disregarding a central tenant of tax reform—encouraging domestic investment and employment. Because corporate income attributed to Puerto Rico operations is treated as foreign, the tax proposals impose excessive tax liabilities on companies that have proven their dedication to investing in their local operations and employees. Therefore, we recommend that Congress work to ensure that Puerto Rico is not harmed by changes made in the tax reform process.

Congress can and must do more to help our fellow Americans in Puerto Rico. These changes to your respective bills represent positive steps forward to ensure all Americans are treated more equitably under the tax code. As you continue your work on a compromise tax package, we urge you to include these proposals and protect the interests of citizens who need our help. We appreciate your immediate attention to this matter and look forward to working with you in a bipartisan way to bring a tax reform package that contemplates the unique relationship the United States shares with Puerto Rico.


Sincerely,



Nydia M. Velázquez
Member of Congress


José Serrano
Member of Congress


Luis V. Gutiérrez
Member of Congress


Raúl Grijalva
Member of Congress


Darren Soto
Member of Congress


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