

# P.R. CofC has misgivings about proposed incentives to US corporations

SAN JUAN – The Puerto Rico Chamber of Commerce (CofC) is not on board yet with other business groups on a proposal to be submitted to the congressional Task Force on Economic Growth that would grant tax incentives to U.S. corporations in Puerto Rico because they could be impacted by political status changes.

The CofC is slated to present its own economic incentives at the First Promesa Conference, slated for Aug. 31, to help members learn about available opportunities under Puerto Rico Oversight, Management and Economic Stability Act, known as Promesa, which is the law that creates a fiscal control board to manage Puerto Rico finances and a debt restructuring mechanism.

“It is not an issue of opportunities as much as an issue of everyone moving toward the same direction...Promesa is bringing some economic development. If the business environment is improved, there will be more revenues to support essential services and pay pensions,” Chamber of Commerce President David Rodríguez said.

Section 701 of Promesa states that “It is the sense of the Congress that any durable solution for Puerto Rico’s fiscal and economic crisis should include permanent, pro-growth fiscal reforms that feature, among other elements, a free flow of capital between possessions of the United States and the rest of the United States.”

For that reason, the government, the Private Sector Coalition and the Manufacturers’ Association are proposing to the Task Force incentives that call for dividends or repatriation payments from eligible Puerto Rico subsidiaries of U.S. companies to enjoy an 85% exemption. These funds will also enjoy a cut in the full U.S. statutory tax rate for active Puerto Rico source income. It is not clear if such incentives will be possible if the United States were to become a state.

“The Chamber supports everything that is not linked to (Puerto Rico’s political) status,” Rodríguez told Caribbean Business. “We have asked for space to evaluate the proposal.”

Rodríguez, on the other hand, supported proposals that would grant parity in health care funds and would repeal the tax on health insurance premiums, which he said is about \$200 million per year. He also backed extending to Puerto Rico the federal earned income tax credit to promote work.

He praised the idea of a temporary reduction Social Security payroll taxes so that there is more spending money as President Barack Obama did in 2010 because it would be a relief to the working class and put millions into the economy.

Rodríguez also backed the idea of having the Federal Energy Regulatory Commission intervene in helping fund Prepa’s Integrated Resource Plan, a long term infrastructure plan that seeks to improve and enhance power service that is under the



Puerto Rico Chamber of Commerce (CB /Archive)

evaluation of the Puerto Rico Energy Commission.

The PRCoC does not have plans to ask the Task Force to intervene in Prepa's restructuring deal, which has resulted in a hike in power service but Rodríguez said the Chamber recently asked to intervene in the Commission's evaluation of the hikes.

The activity will include a panel in which gubernatorial candidates will discuss how they plan to operate under the Puerto Rico Fiscal Oversight Board. Working Peoples Party Rafael Bernabe and Puerto Rican Independence Party President María de Lourdes Santiago will not be participating. Rodríguez said Bernabe had told the Chamber it was going to attend but he found out the gubernatorial candidate decided to boycott the event through the press. Santiago had excused herself from the activity