



September 2, 2016

Hon. Pedro Pierluisi
Congressional Task Force on Economic Growth in Puerto Rico
United States Congress
Washington, DC
E-mail: aimee.irlanda@mail.house.gov

Dear Representative Pierluisi:

On behalf of the Puerto Rico Chamber of Commerce and its 1,200 members, we are pleased to submit this Executive Summary of the ***PUERTO RICO CHAMBER OF COMMERCE PROPOSALS TO THE CONGRESSIONAL TASK FORCE ON ECONOMIC GROWTH IN PUERTO RICO.***

Since 1913, the Puerto Rico Chamber of Commerce (PRCC) has been the voice and action of free enterprise in Puerto Rico. Our mission is to strengthen the development of our members by providing knowledge, multi-sector representation, and protecting the values and foundations of free enterprise. We foster the sustainable development of Puerto Rico and a better quality of life.

As enacted by the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), the United States Congressional Task Force on Economic Growth in Puerto Rico (Task Force) will issue a report regarding impediments to local economic growth in current Federal law and programs including equitable access to Federal health care programs; recommended changes to Federal law and programs that, if adopted, would serve to spur sustainable long-term economic growth, job creation, and attract investment in Puerto Rico.

The PRCC presents, as an executive summary, the following recommendations of economic growth strategies to the Task Force.

Proposed economic growth and development strategies:

Health

- *Parity in Medicaid.* As the Medicaid cliff looms, steps must be taken to continue program operations by establishing parity in Puerto Rico's Medicaid Federal funding matching levels.
- *HIT.* Eliminate the application of HIT Tax to Puerto Rico.
- *Administrative Flexibility.* Allow CMS to utilize data proxies and other flexibilities under federal health payment methodologies.
- *Minimum Medicare Advantage.* The ACA benchmark reductions are unsustainable in Puerto Rico and should be replaced with a defined minimum benchmark tied to some percentage of the lowest benchmark in the 50 states.

- *Part D Low-Income Subsidy Program.* End the exclusion of the territories from the Part D LIS program.

Jones Act and Maritime Transportation Reform

- Explore reform or modification of the Jones Act to promote the free market and a more competitive environment for Puerto Rico.
- Amend Section 808 of Law 108-176 of December 12, 2003, also known as the Stevens Amendment, to include the Puerto Rico name next to Alaska, under 49 U.S.C. section 41703 (e) and re-establish the “transit-without-visa” program.

Energy

- Extend the Investment Tax Credit (ITC) for Renewable Energy in Puerto Rico until 2018.
- Reinvigorate and provide funding for the current MOU with the US DOE designed to provide for the credible participation of NGOs in the ongoing Integrated Resources Review at the Puerto Rico Energy Commission (PREC).
- Provide a funding allocation to the Department of Interior for studies and data modeling that will promote the active participation of all sectors in planning for the lowest possible Base Energy Cost.
- Provide financial guarantees that will temporarily lower the cost to fuel and power suppliers as our Commonwealth transitions towards a modern, lower cost energy system.

Infrastructure Revitalization

- Please find the specific proposed initiatives attached to this Executive Summary.

Payroll Tax Holiday

- A 50% payroll tax holiday reducing the contribution rate for workers, employers, and self-employed for a period of six (6) years.

Growth Proposals

- Develop a new U.S. tax policy to promote investment and industrial growth in Puerto Rico by:
 - Creating strong incentives for businesses to operate in Puerto Rico;
 - Ensuring these companies’ advantages over other foreign jurisdictions.
- Ensure that such policy is consistent with U.S. tax reform proposals and potential outcome of U.S. tax reform.
- Ensure that the proposal addresses Section 936 criticisms:
 - Mandatory repatriation of trapped Puerto Rico source income;
 - Strong base erosion rules.
- Proposal:
 - 85% exemption on dividends (or repatriation payments) from eligible Puerto Rico corporations, as defined;
 - Reduction in half of the full U.S. statutory tax rate for active Puerto Rico source income on the remaining 15%.

Private Sector Input and “Puerto Rico Empresa”

- Include representatives of the private sector when Congress conducts hearings on issues impacting Puerto Rico.

- Seek input from long standing private sector organizations representing local businesses, manufacturers, and employees in policy discussions as solutions are assembled to address Puerto Rico’s challenges.
- Include private sector representatives in any special board or governing mechanism created to address Puerto Rico’s fiscal and economic situation.
- “Puerto Rico Empresa” will be a public-private entity, established through local legislation. This will ensure continuity in Puerto Rico’s economic development efforts and will provide an organizational structure based on the experience of other jurisdictions that have successfully implemented new approaches to economic development. “Puerto Rico Empresa”, an independent entity, will provide support and guidance for implementing new projects by generating measurable metrics to evaluate progress and secure accountability.

United States Congressional Task Force on Economic Growth in Puerto Rico

- Extending the scope of the Task Force past its December 31 2016 conclusion date.

The Puerto Rico Chamber of Commerce appreciates the opportunity to present these proposals. We look forward to collaborating with you and other Task Force members on this important initiative and maximizing its potential impact on the social and economic development in Puerto Rico.

Sincerely,



CPA David A. Rodríguez-Ortiz
President and Chairman of the Board