

Jobs in Puerto Rico and U.S. Corporate Federal Tax Reform
Memorandum of Agreement

The undersigned stakeholders collectively and united express a common set of principles for federal corporate tax reform that are critical to U.S. global companies operating in Puerto Rico and, therefore, impact thousands of jobs for U.S. citizens.

Puerto Rico should be part of the solution being sought through tax reform legislation that will retain and create jobs for U.S. citizens. Jobs created in Puerto Rico are American jobs and reflect positively in the States. The results achieved from Puerto Rico's appropriate inclusion in tax reform legislation will be mutually beneficial for the States and Puerto Rico.

Jobs for U.S. Citizens in Puerto Rico

Our goal is to ensure that tax reform not only does not harm business and jobs on the Island, but that we are able to maximize Puerto Rico's position as a pharmaceutical, biological and medical device manufacturing powerhouse to achieve U.S. policy and foster the economic recovery of the Island. The Administration and lawmakers should adopt clear policy objectives and enact international tax reform that ensures within all areas of the United States the protection and creation of new and high-quality jobs, greater investment in research and innovation, and enhances the competitiveness enhancement of U.S. global companies. Each of these objectives should encompass Puerto Rico.

U.S. Tax Policy and Puerto Rico

It has been the longstanding policy of the U.S. government to help foster economic development, create jobs and promote U.S. business investment in Puerto Rico. In part due to Federal tax provisions in combination with Puerto Rico's own tax incentive policies, Puerto Rico has successfully evolved from an agrarian economy during the first half of the twentieth century to a world-class manufacturing powerhouse and an attractive high technology and life sciences host jurisdiction. For years, Puerto Rico's manufacturing sector has been the cornerstone of the Island's economy.

Proposals for International Tax Reform

Members of Congress and the Administration are considering various proposals to reform the U.S. international tax system. Many of these proposals include measures intended to address concerns regarding global competitiveness, corporate tax base erosion and are generally aimed at preventing the shipping of jobs overseas or the shifting of income to tax havens. The core objective of these proposals is reforming policies with a pro-growth tax plan that fosters job creation and economic investment in the United States. As a United States jurisdiction, Puerto Rico fully shares and supports these tax and economic policy priorities and objectives.

It is the goal of the U.S. tax laws to preserve fairness and balance. We are concerned, however, that the measures that are being considered could unintentionally yet severely threaten jobs held by U.S. citizens in Puerto Rico.

It is possible, however, to reconcile the goals of creating jobs on U.S. soil and increasing the competitiveness of U.S. global companies. This would promote a lasting positive economic effect for both Puerto Rico and the States, for the following reasons:

- Retaining and Creating Jobs in the United States and Puerto Rico. The bipartisan Congressional Task Force on Economic Growth in Puerto Rico issued a report on December 20, 2016 recommending that Congress be mindful of the fact that Puerto Rico is a U.S. jurisdiction and that jobs in Puerto Rico are American jobs. This is consistent with the lawmakers' objectives of "bringing back jobs to the United States." Products made in Puerto Rico are products that carry the label "Made in the U.S.A." and directly affect the national economy. Jobs in the manufacturing sector have the effect of reversing migration to the US mainland and increasing employment opportunities in Puerto Rico (direct, indirect and induced) with the spillover effect of increasing personal expenditures, housing needs, with great repopulation effects, additional infrastructure, development and construction, thus expanding Puerto Rico's tax base.
- Maximizing Transparency in the U.S International Tax System. Puerto Rico operates under rules that are similar to U.S. tax requirements. The tax structures that are the focus of some of the proposals that target the shifting of income to foreign jurisdictions are facilitated by the lack of transparency and secrecy that characterize some foreign tax havens. The Puerto Rico Treasury Department has exchange of information agreements with the U.S. Internal Revenue Service (IRS), which ensure that the IRS can accurately audit and enforce applicable tax laws on U.S. global companies operating in Puerto Rico.
- Strengthening Capital and Labor Investment in Puerto Rico. The corporate structures that are perceived to take jobs and revenue away from the United States are sometimes characterized by a lack of substantive presence in other jurisdictions. United States global companies operating in Puerto Rico, by contrast, play a significant role in Puerto Rico's economy, particularly in manufacturing, where thousands of direct U.S. jobs could be retained and/or created. United States global companies in Puerto Rico invest in facilities and conduct active manufacturing operations on the Island with local management and workers. Additionally, they support education, health, sport, housing, development, construction, repopulation and infrastructure initiatives that help reduce the use of public funds.

For these reasons, we respectfully and firmly urge President Trump and the Congress to recognize that tax reform should foster economic growth and jobs for U.S. citizens in Puerto Rico. By working together, we are certain to achieve these goals, which clearly are in furtherance of a better future for all U.S. citizens.

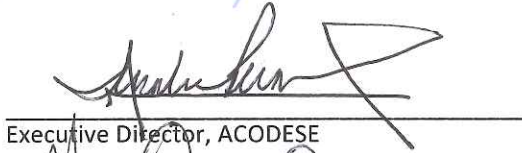
IN WITNESS WHEREOF, the representatives of each of the stakeholders have executed this Memorandum


Resident Commissioner
Of Puerto Rico

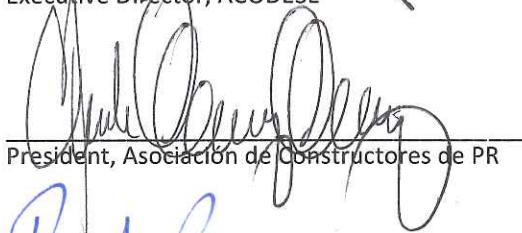

Executive Director
Commerce and Export Company


President, Puerto Rico Manufacturers Association

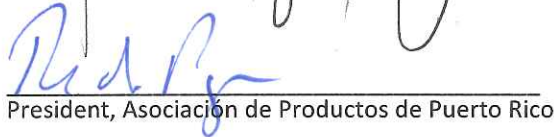

President, PR Chamber of Commerce


Executive Director, ACOSE


Secretary, Asociación de Contratistas Generales


President, Asociación de Constructores de PR

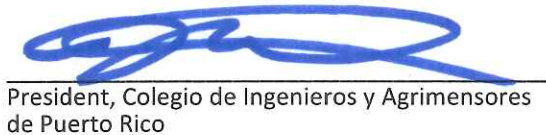

Colegio de Optometras de PR


President, Asociación de Productos de Puerto Rico


Executive Director-Puerto Rico Retail Association

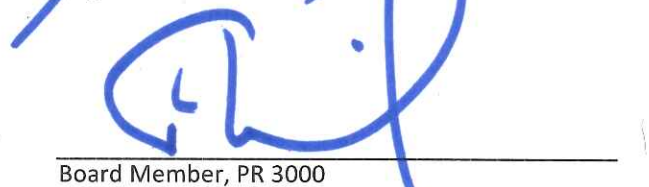

Vice President, Colegio de Arquitectos y Arquitectos Paisajistas de Puerto Rico


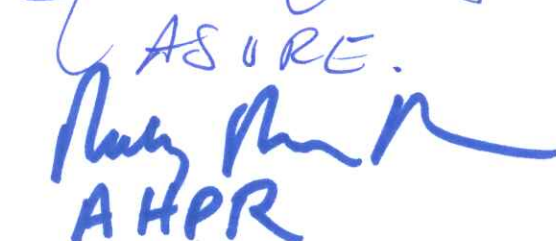

President, Puerto Rico Hotel & Tourism Association

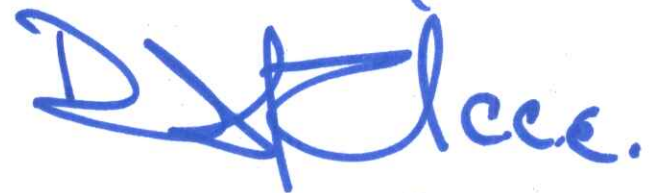

President, Colegio de Ingenieros y Agrimensores de Puerto Rico


Colegio de CPA de Puerto Rico


Executive Vice-President, MIDA


Board Member, PR 3000


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AHPR




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