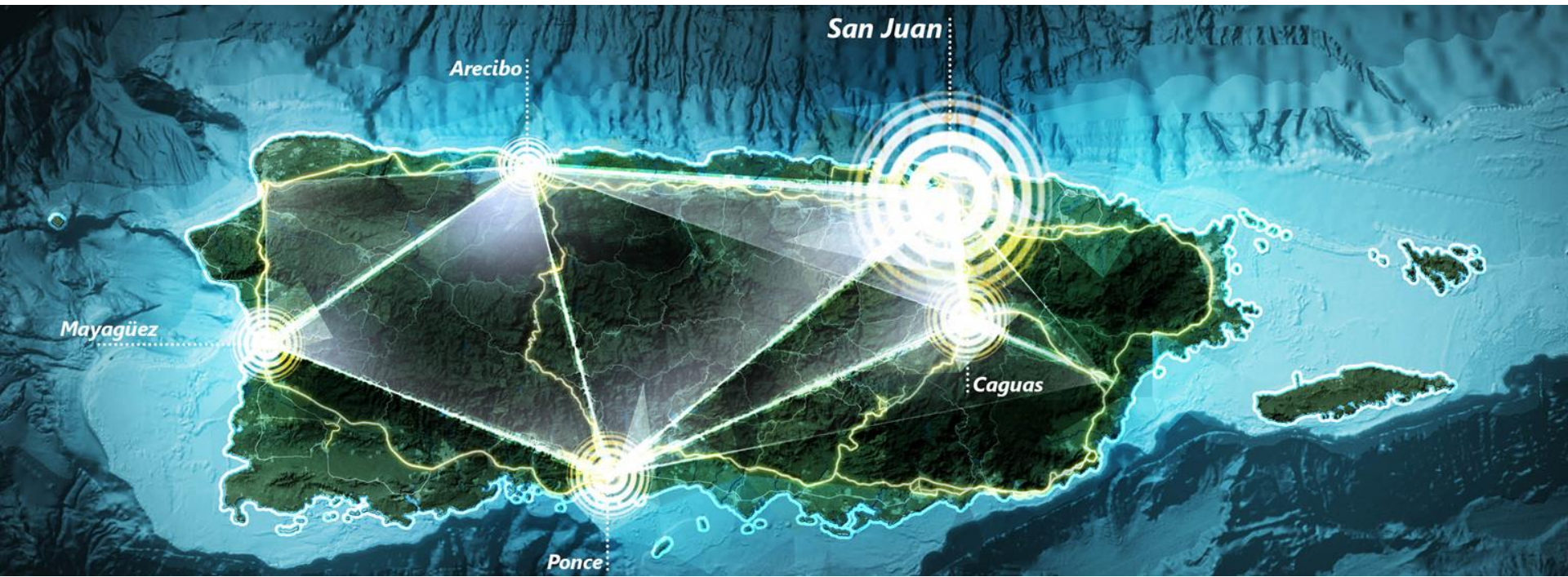


Analizando El Plan Fiscal

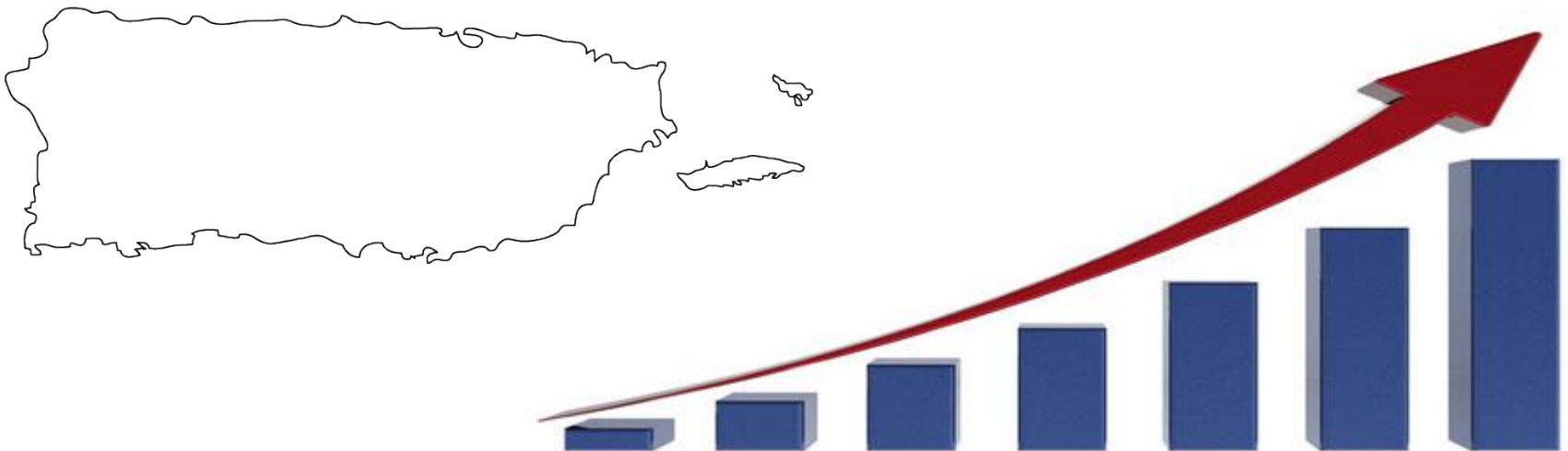
Cámara de Comercio de Puerto Rico

Short to Medium Term Economic Development - Congressional Taskforce



Puerto Rico Private Sector – an agent of change and social-economic development

- The future of the U.S. Territory of Puerto Rico and its 3.56 million U.S. Citizens is dependent on the health and vitality of the local private sector. It's the private sector and its employees who are the primary tax base for the local government.
- The Puerto Rico Private Sector Coalition (PSC) represents practically 100% of the Island's private sector employment. The PSC seeks to collaborate and establish a strong partnership with the U.S. Congress and the Administration, as well as the Puerto Rico local Government to foster development of practical, effective solutions to the current fiscal situation and to formulate a longer- term plan for a competitive, productive and self-reliant economy.



- 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 in current Federal law and programs to economic growth in Puerto Rico; 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 PSC seeks to set in motion collective action to address Puerto Rico's current fiscal and socio-economic crisis. To that end, it presents the following summary of short to medium-term economic development strategies to the Task Force.



Proposed economic growth
and development strategies:

GROWTH PROPOSAL – JUMPSTART ECONOMY

**PAYROLL TAX HOLIDAY - INJECT CAPITAL INTO PRIVATE
ECONOMY**

LOWER ENERGY COST

STIMULATE LOCAL INDUSTRY – FEDERAL SET ASIDE

FAIR TREATMENT – PARITY IN MEDICAID/MEDICARE

**FOSTER HIGH TECHNOLOGY INDUSTRY– AEROSPACE
SECTOR**

**Major
Proposals &
Initiatives**

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graph LR; A((Major Proposals & Initiatives)) --- B[GROWTH PROPOSAL – JUMPSTART ECONOMY]; A --- C[PAYROLL TAX HOLIDAY - INJECT CAPITAL INTO PRIVATE ECONOMY]; A --- D[LOWER ENERGY COST]; A --- E[STIMULATE LOCAL INDUSTRY – FEDERAL SET ASIDE]; A --- F[FAIR TREATMENT – PARITY IN MEDICAID/MEDICARE]; A --- G[FOSTER HIGH TECHNOLOGY INDUSTRY– AEROSPACE SECTOR];
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**GROWTH
PROPOSAL**

**✓ IMPROVED BUSINESS ENVIRONMENT IS KEY FOR
PRODUCTIVITY AND GROWTH**

- Jumpstart Puerto Rico's important manufacturing sector and the economic ecosystem that surrounds it.
- Provide the Commonwealth Government with increased tax revenue needed to deal with its debt obligations, and act as a powerful tool to stop the migratory process from the Island.
- Congress seeks to address indefinite deferral of taxes and foster repatriation of funds held by U.S. corporations abroad. Benefit both Puerto Rico and the United States Treasury - incentive to repatriate funds and promote investment in Puerto Rico that would otherwise be directed to foreign countries.
- Tax proposal - exempt 85% of dividend income from federal income tax and the remaining 15% to be taxed at 50% of the federal corporate income tax rate.
- The income exempted must be Puerto Rico source income (Section 864). By approving the measure, the Federal Government would achieve the double objective of stimulating the return of funds held abroad because of the attractive tax environment and, at the same time, stimulating investment in Puerto Rico in order to generate Puerto Rico source income (amend IRS Sections 864, 245, 245, 901, 904 and 933A and 959).

**PAYROLL TAX
HOLIDAY**

✓ IMMEDIATE CAPITAL INJECTION IN PUERTO RICO ECONOMY

- Proposal: six-year, 50% reduction in the social security tax for workers, employers and the self-employed in Puerto Rico to raise the take-home pay of workers and reduce operating costs for businesses, thus helping to stabilize the island's economy during the implementation of PROMESA's fiscal adjustment program.
- Payroll tax holiday would provide a much needed stimulus to the local economy on both the demand side and the supply side. In addition, it would soften the short- and medium-term effects of the fiscal adjustment program.
- A 50% payroll tax holiday would mean about \$640 million annually in additional take-home pay for Puerto Rican workers, equivalent to a 2.3% pay raise.
- savings would add up to a substantial injection to aggregate demand and a significant supply-side stimulus via lower production costs.
- The payroll tax holiday will have a much needed immediate impact on Puerto Rican workers and businesses

**LOWER
ENERGY COSTS**

**✓ HIGH ENERGY COSTS ARE A MAJOR BARRIER TO ECONOMIC
RENEWAL**

- The Private Sector Coalition notes that Puerto Rico suffers electricity rates of 2-3 times the national average.
- Essential for Puerto Rico's future competitiveness we make the necessary changes so our electric energy system operate at very high levels of efficiency that would make it possible to produce and distribute electricity at low costs.
- Extend authority of the Federal Energy Regulatory Commission's (FERC) to Puerto Rico to review and regulate electricity generated by the government run monopoly, the Puerto Rico Electric Power Authority (PREPA).
- Congress must enact legislation to permit FERC's intervention in Puerto Rico.

**FEDERAL SET
ASIDE**

**✓ STIMULATE LOCAL INDUSTRY THROUGH CREATION OF
CONDITIONS FOR EQUAL ACCESS TO FEDERAL PROCUREMENT**

- Amend the Federal Acquisition Regulations in order to provide the framework for improved access to federal procurement by Puerto Rico firms.
- Similar to the Alaska extension of SBA 8 (a) program status to Alaska Native Corporations, small businesses owned and operated in Puerto Rico should be categorically eligible for SBA 8(a) designation.
- Establish a provision for the following 15 years that would set aside 3% of federal contracts and use of federal funds on the Island for legitimate businesses registered in the Puerto Rico.

**FAIR
TREATMENT**

✓ TREAT U.S. CITIZENS LIVING IN PUERTO RICO FAIRLY

- Prevent the Medicaid Cliff and lift the cap on Medicaid reimbursements for Puerto Rico's health care sector to provide for parity in reimbursements equal to comparable services provided elsewhere in the United States for eligible U.S. Citizens.
- Puerto Rico stands to lose 75% of its Federal Medicaid funds with crippling results on its low income population and health care providers. According to the U.S. Census Bureau, 46% of the population in Puerto Rico is at or below the poverty line.
- Lift statutory cap on Federal Medicaid funding for Puerto Rico - consider minimum uncapping the federal Medicaid allotment for Puerto Rico, which would result in a real match rate of 55 percent. The Task Force could also propose an increase in the match rate ranging from setting the match at the average of states or allowing the rate to be set by formula as is done for the 50 states.
- Work with the Centers for Medicaid and Medicare Services (CMS) to use its flexibility under its administrative authority to reform the Medicare Wage Index used for Puerto Rico and the use of the SSI that directly provide disparate treatment of Medicare reimbursements for our hospital, doctors and the Medicare Advantage Program.

**FOSTER HIGH TECHNOLOGY
INDUSTRY– AEROSPACE SECTOR**

**✓ PROMOTE INNOVATION, PRODUCTIVITY AND GROWTH ON
THE GLOBAL STAGE**

- Puerto Rico's manufacturing and advanced services sector has been augmented by the addition of the aerospace industry.
- Create the correct institutional framework that will foster the growth of the aerospace industry in Puerto Rico.
- Spillovers from the industry are major inducements for other high value added related activities.
- Growth of aerospace sector Puerto Rico - where a number of well known names in the industry have already begun operations – concurrence of two factors.
 - Homeland Security legislation and the International Traffic in Arms Regulation (ITAR) require that certain engineering jobs and manufacturing operations be performed within the U.S.
 - Puerto Rico has an ample supply of highly competent engineers.

**PRIVATE SECTOR
INCLUSION**

**✓ INCLUDE THE PRIVATE SECTOR IN DELIBERATIONS
IMPACTING PUERTO RICO'S FUTURE.**

- Include representatives of the private sector when Congress conducts hearings on issues impacting Puerto Rico.
- Seek input from the long standing private sector organizations representing local business, manufacturing and employees in policy discussions as solutions are assembled to Puerto Rico's challenges.
- Include private sector representatives in any special board or governing mechanism created to address the Puerto Rico fiscal and economic situation.

Puerto Rico Private Sector Coalition:



Puerto Rico
Manufacturers
Association



Puerto Rico
Chamber of Commerce



Puerto Rico
Society of CPA



Puerto Rico
Farm Bureau



Professional College of
Engineers and
Land Surveyors of Puerto
Rico



Puerto Rico Chamber of
Marketing, Industry,
and Distribution of Food
(MIDA)



Puerto Rico Products
Association



Asociación de
Arrendadores de Bienes
Inmuebles



Association of
General Contractors
of America,
Puerto Rico Chapter



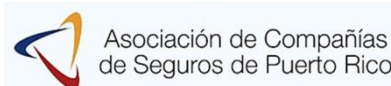
Puerto Rico Restaurant
Association



Society for Human
Resource Management



Professional College of
Architects and
Landscape
Architects of Puerto Rico



Puerto Rico Insurance
Companies Association



Puerto Rico
Builders
Association



Latin American Business
Council (CEAL)

Puerto Rico Private Sector Coalition:



Puerto Rico
Hospital
Association



Puerto Rico
Internet Society



Puerto Rico
Business Retailer s
Association



Colegio de
Optómetras de
Puerto Rico



Puerto Rico 3000



Medicaid and Medicare
Advantage Products
Association of
Puerto Rico



Puerto Rico Auto
Importers Association



Puerto Rico Automobile
Distributors Association
(PRADA)



Pharmaceutical
Industry Association



Puerto Rico
United Retailers
Association



Puerto Rico Shipping
Association



Puerto Rico Hotel &
Tourism Association



Southwestern Industrial
Association



Alianza de Corredores y
Vendedores de Bienes
Raíces de Puerto Rico