

December 13, 2017

Dear Member of Congress:

As an advocacy organization that promotes liberty, opportunity, and prosperity for all Americans, we write in opposition to unfair treatment of Puerto Rico in the Tax Cuts and Jobs Act of 2017. The original purpose of the bill was to rescue the U.S. economy and promote American jobs, but it does just the opposite for Puerto Rico: a new tax on Controlled Foreign Corporations (CFCs) in both the House and Senate bills hurts Americans living and working in the Commonwealth, which is an unincorporated American territory, 65% of whom have already faced decreased incomes in the last several years.

Puerto Rico continues to work to recover from \$100 billion worth of damage from two major hurricanes, Irma and Maria, the latter considered to be the worst hurricane in a century to strike the Caribbean island. Estimates vary, but, even after two months, as much as 50-80% of the island may still be without power.

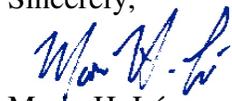
As hard as the island was hit by hurricanes, however, it would be hit even harder by these tax provisions. Puerto Rico's economy has been suffering from a recession for over a decade, and these new measures would paralyze Puerto Rico's economy at its most critical moment.

Over 235,000 Americans are employed in the manufacturing sector in Puerto Rico, mainly by pharmaceutical companies, which account for 25% of the workforce, three-quarters of exports (\$14.5 billion in 2016), and 48% of the island's GDP. A new tax would see those jobs and revenue lost. Rather than face additional taxation, companies will simply close their operations in Puerto Rico. But they won't be moving to the mainland as the tax bill promises. Instead they will decamp for lower-tax countries and not look back. In short, the tax threatens one of every two jobs in Puerto Rico, whether directly or indirectly. Those results would be catastrophic for Puerto Rico and severely jeopardize its economic future.

The tax would also escalate the outmigration exodus. Almost 500,000 Puerto Ricans have left the island since 2005. Another 200,000 have left since the recent hurricanes, similar to what happened in New Orleans after Hurricane Katrina. An increased tax burden on top of the hurricane recovery will certainly not help keep people on the island and will only worsen the economic situation for those living there.

The Tax Cuts and Jobs Act of 2017 has been touted as victory for American businesses and citizens, and so it should be—for those 3.4 million U.S. citizens living in Puerto Rico as well. As the bill heads to conference committee, we urge lawmakers to remove the tax on products manufactured in Puerto Rico by Controlled Foreign Corporations (CFCs) from the final bill. In short, we encourage lawmakers to scrap all provisions that negatively target Puerto Rico's economy recovery and to reduce its competitive advantage in today's global marketplace.

Sincerely,



Mario H. López  
*President*