

Congress of the United States
House of Representatives
Washington, DC 20515-5401

December 16, 2013

The Hon. Tony West
Associate Attorney General
Co-Chair
The President's Task Force
on Puerto Rico's Status
950 Pennsylvania Avenue, NW
Washington, DC 20530

The Hon. David Agnew
Director of Intergovernmental Affairs
Co-Chair
The President's Task Force
on Puerto Rico's Status
1600 Pennsylvania Avenue, NW
Washington, DC 20502

Dear Associate Attorney General West and Director Agnew:

I write to respectfully request that the Administration, consistent with the recommendation made by the President's Task Force on Puerto Rico's Status in its March 2011 report, include in its Fiscal Year 2015 budget request to Congress a legislative proposal to extend the child tax credit to eligible families in Puerto Rico with one child or two children. The Administration could use as a model the legislation I introduced in the 112th Congress, H.R. 2454, the *Child Tax Credit Equality for Puerto Rico Act of 2011*. I also urge the Administration to include additional legislative proposals in its Fiscal Year 2015 budget request that would eliminate or mitigate disparities that Puerto Rico faces under other key federal programs and would help the territory address its severe fiscal and economic challenges. I have identified five options below for your consideration.

In its report, the Task Force noted that, "in practice, Puerto Rican families with fewer than three children are generally not able to claim the child tax credit even if they are paying Federal payroll taxes." The Task Force then recommended "extending the child tax credit to allow households with one or two children to claim a partially refundable child tax credit to the degree they have labor market earnings," explaining that this "could help reduce poverty and strengthen the labor force in Puerto Rico, because the credit is conditional on labor earnings." The Task Force recommended "that this change be gradually phased in." See Report, page 48.

Since the Task Force report was issued, the Administration transmitted to Congress its budget request for Fiscal Year 2013 (transmitted in February 2012) and Fiscal Year 2014 (transmitted in April 2013). Despite the Task Force's recommendation, the Administration did not include in either budget request a legislative proposal to extend the child tax credit to working families in

Puerto Rico with fewer than three children. As a practical matter, a policy change of this importance has little chance of being enacted absent the express support of the President. This support must take the form of the Administration including a legislative proposal in its budget request to Congress and then actively working with the committees of jurisdiction in the House and Senate to advance it.

As the Task Force indicated in its report, such a legislative proposal is extraordinarily justified. It is well known that residents of Puerto Rico are not generally required to pay federal income taxes on their territory-source income. However, contrary to popular misconception, federal tax law often provides less favorable treatment to working families in Puerto Rico than it does to working families in the 50 states. To illustrate, consider a married couple with two children living in Florida that earns \$25,000 a year, and then consider an identical family living in Puerto Rico. Both families owe the same federal payroll taxes. But the Florida family would receive over \$6,000 in refundable federal tax credits under the child tax credit program and the earned income tax credit program, for a final income of over \$30,000. By contrast, the Puerto Rico family, because it is ineligible for these credits, takes home less than \$24,000.

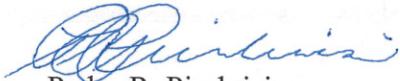
Beyond the Administration including in its Fiscal Year 2015 budget request to Congress a legislative proposal to extend the child tax credit to eligible families in Puerto Rico with one child or two children, I respectfully urge the Administration to include in its budget request other legislative proposals that will benefit Puerto Rico. For example, the Administration could include proposals to:

- extend the Supplemental Security Income (SSI) program to Puerto Rico, using as a model the legislation I introduced this Congress, the *Supplemental Security Income Equality Act* (see H.R. 364);
- enable Puerto Rico to receive supplemental grants under the Temporary Assistance for Needy Families (TANF) program, using as a model the legislation I introduced this Congress, the *Territorial TANF Equity Act of 2013* (see H.R. 365);
- amend current law to provide fair treatment to Puerto Rico Medicare beneficiaries under Part B, using as a model the legislation that Senator Charles Schumer and I introduced this Congress, the *Puerto Rico Medicare Part B Equity Act of 2013* (see H.R. 670 and S. 324);
- include Puerto Rico hospitals in the Medicare component of the HITECH Act, which authorizes bonus payments to hospitals that become meaningful users of electronic health records, using as a model the legislation that Senator Robert Menendez and I introduced this Congress, the *Puerto Rico Hospital HITECH Amendments Act of 2013* (see H.R. 1379 and S. 636); and

- change the current formula to ensure that Puerto Rico hospitals receive the same base reimbursement rate as hospitals in the states under Medicare, using as a model the legislation I introduced in the 112th Congress, the *Puerto Rico Hospital Medicare Reimbursement Equity Act of 2012* (see H.R. 4065).

I thank you for your consideration of these proposals, for the Task Force's continued and constructive work, and for your leadership on Puerto Rico issues.

Sincerely,



Pedro R. Pierluisi
Member of Congress