

Member Day Hearing
Statement by Rep. Jenniffer González-Colón
House Committee on Ways and Means
September 14, 2023

Thank you, Chairman Smith, Ranking Member Neal and Members of the Committee, for the opportunity to discuss how you can have a positive direct impact on Puerto Rico's growth and economic development.

Earlier this year, I reintroduced H.R. 3146, bipartisan, bicameral legislation that would modify the amount of money transferred to Puerto Rico and the U.S. Virgin Islands from the excise taxes collected on rum that is produced in or imported into the rest of the United States from the two U.S. territories.

Puerto Rico's rum industry is one of the major drivers of our economy, producing more than 70% of the rum that is consumed in the U.S. and 80% of the rum consumed around the world. It results in more than \$330 million for Puerto Rico every year, which has been vital to supporting critical services, including healthcare, education, public safety, and environmental and other conservation initiatives.

Traditionally, excise tax collections on imported rum have been transferred to Puerto Rico and the U.S. Virgin Islands at the rate of \$13.25 per proof gallon. However, only \$10.50 per proof gallon is in permanent law, with the remaining \$2.75 per proof gallon requiring periodic reauthorization by Congress, a practice that has been taking place for over 100 years. My legislation makes permanent the \$13.25 per proof gallon to be covered by law, eliminating uncertainty that both territories have experienced, including funding cliffs on several occasions, and ensuring resources continue reaching our communities, and enhancing our long-term sustainable economic growth.

My legislation would also require that a portion of the funds transferred to Puerto Rico are used to support the Puerto Rico Conservation Trust. This private, nonprofit organization – created in 1970 by the U.S.

Department of the Interior and the Government of Puerto Rico – is critical in supporting the conservation of natural areas on the island, including through sustainable agricultural efforts, projects that promote the reforestation and restoration of Puerto Rico’s natural habitats, and the development of educational programs that foster the protection of natural areas on the island.

Congress last extended the rum cover over for five years as part of the Bipartisan Budget Act of 2018, which expired in 2021.

As such, I ask you consider attaching my bill to the forthcoming disaster relief legislation or any must pass bill. As the Congressional Task Force on Economic Growth in Puerto Rico made clear in its recommendations to Congress, “[f]ailure to extend the provision will cause harm to Puerto Rico’s...fiscal condition at a time when it is already in peril.”

Another bill is H.R. 376, the Puerto Rico Film, Television, and Theatre Production Act.

The IRS incorrectly considers Puerto Rico a foreign jurisdiction for purposes of federal incentives available to producers of films, television shows, and theater performances, making these incentives unavailable for works produced by American taxpayers in Puerto Rico.

Puerto Rico has a robust, but limited, local film production incentives program which provides a 20% - 40% transferable tax credit for labor costs and qualified expenditure. This has attracted over 150 productions in the past 20 years including Black Panther: Wakanda Forever, Captain America: Civil War, Pirates of the Caribbean 4, Fast Five, the recent Fantasy Island reboot, and Marvel’s Agents of S.H.I.E.L.D.

This program would greatly benefit if American taxpayers could take advantage of existing federal tax incentives on the Island. Given Puerto Rico’s diverse ecology, it would allow us to keep American films in American soil and creating American jobs.

Another bill, H.R. 4026, would make available in the territories certain tax credits and deductions for expenses incurred in complying with the American with Disabilities Act.

To help businesses comply with these requirements, current law allows small businesses to take a credit on the federal income tax return of 50% of reasonable expenses—up to \$10,250 annually—incurred for removing architectural, communication, physical or transportation barriers that prevent a business from being accessible or usable by people with disabilities.

The law also allows a deduction—up to \$15,000 per year—for expenses incurred in removing barriers and making alterations to make business facilities more accessible to people with disabilities and for the elderly.

Although the ADA is applicable in the territories, these credits and deductions are not available.

Over 50,000 businesses in Puerto Rico— which account for 98% of all businesses in the Island— are small businesses. The financial burden of retrofitting old buildings to make them more accessible and the costs of contracting the services required for effective communication are usually too much for these individuals.

H.R. 4026 seeks to address this situation and improve the quality of independent life of people with disabilities in the territories, by making the credits and deductions available to taxpayers in the territories.

I will be submitting an addendum that includes some of my other bills such as H.R.378, which would make all of Puerto Rico eligible for Opportunity Zones, and H.R. 447 that would incentivize domestic medical manufacturing in economically distressed areas accross our nation.

I will close by making an open invitation to the Committee to come to Puerto Rico to examine the impact of legislation under your jurisdiction and hear directly from residents and stakeholders about these.

Thank you.