



**CEN
TRO**

HUNTER
The City University of New York

REPORT

¿NO PAGAN TAXES? OVERVIEW OF FEDERAL REVENUE- RAISING IN PUERTO RICO, 2024

CARLOS VARGAS-RAMOS,
JAVIER MÉNDEZ LACOMBA AND
JORGE SOLDEVILA IRIZARRY

**CEN
TRO**

HUNTER
The City University of New York

CARLOS VARGAS-RAMOS,
JAVIER MÉNDEZ LACOMBA AND
JORGE SOLDEVILA-IRIZARRY

2024

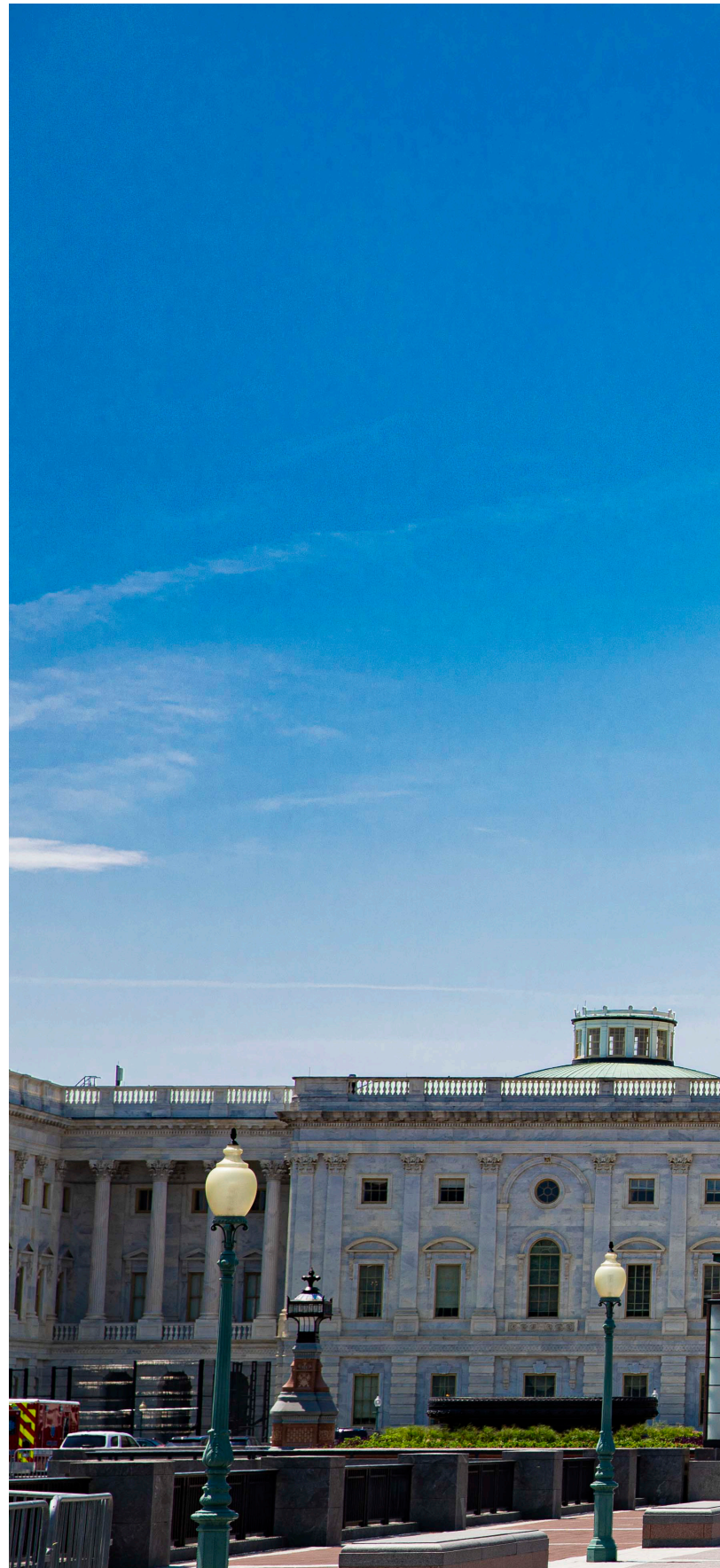
¿NO PAGAN TAXES? OVERVIEW OF FEDERAL REVENUE-RAISING IN PUERTO RICO, 2024

INTRODUCTION

Residents of Puerto Rico pay federal taxes. They did so to the tune of \$5 billion in 2023. They have paid more than \$3 billion a year in net contributions to the federal treasury for more than 10 years in a row. This is not a secret, but rather factual information that is publicly available. Yet, it is factual information that is not widely known. Moreover, it is information that flies in the face of the “people in Puerto Rico do not pay federal taxes” narrative. The volume of federal tax contributions originating in Puerto Rico reflects the rather dynamic colonial relation between Puerto Rico and the United States, a relationship that nevertheless makes manifest the subordination of Puerto Rico to the U.S. Congress.

The U.S. Congress has several options in how to treat Puerto Rico as its territory: it may treat Puerto Rico like a state of the union; it may treat Puerto Rico worse than a state of the union; or it may treat Puerto Rico better than a state of the union. For more than a century, the U.S. Congress has chosen to treat its colony worse than a state. This brief provides an overview of federal tax contributions originating from Puerto Rico over the years, along with an analysis of how Puerto Rico’s contributions to the federal treasury compare with those of U.S. states over the course of five decades, highlighting how the role of federal tax and welfare policy have influenced the levels of those contributions.

But rather than painting a nakedly predatory or spoliative extraction of resources from Puerto Rico’s taxpayers, findings indicate shifting federal policymaking reflective of the shifting policy coalitions in the U.S. Congress and the White House. Therefore, there are many instances in which Congress and the White House have chosen to treat Puerto Rico as a state, and many other instances in which these federal institutions have willfully chosen to treat Puerto Rico worse than a state in so far as providing fewer resources or disparate services and benefits to residents of Puerto Rico. These differences are also reflected in how the U.S. government raises federal revenues in Puerto Rico. Underlying it all is the inordinate impact and consequential effect federal action has over Puerto Rico.



U.S. Capitol east front in 2020. Photo by Senate Democrats



PUERTO RICANS DON'T PAY TAXES?

A much remarked-upon feature of Puerto Rico's colonial condition is that its residents are not subject to federal income tax. This feature is not simply descriptive of the nature of the relationship between Puerto Rico and the United States; namely, Puerto Rico is a territory of the United States and the constitution of the United States grants Congress that power to make "...all needful Rules and Regulations respecting the Territory...".¹ One of those rules and regulations has been that residents of Puerto Rico are not subject to federal income taxes.² This feature of Puerto Rico's territorial nature has material implications for how residents of Puerto Rico are generally treated relative to residents in other jurisdictions of the United States, since Congress may rightfully treat residents of Puerto Rico differently from how it treats residents of the fifty states or even other U.S. territories.

In its most recent decision regarding the different treatment residents of Puerto Rico receive at the hand of the federal government,³ the U.S. Supreme Court's majority relied on the argument that "residents of Puerto Rico are typically exempt from most federal income, gift, estate, and excise taxes", in order to justify their denial of coverage of Supplemental Social Security Income (SSI) benefits to Jose Luis Vaello Madero when he moved to Puerto Rico from New York. The court reasoned that "just as not every federal tax extends to residents of Puerto Rico, so too not every federal benefits program extends to residents of Puerto Rico." This line of reasoning had precedents, since the Supreme Court had already used the same argument in its 1978 decision denying SSI benefits to a Puerto Rican resident of Connecticut when he moved to Puerto Rico. Specifically, the court stated categorically "because of the unique tax status of Puerto Rico, its residents do not contribute to the public treasury."⁴ The court provided this same reasoning in 1980 as well.⁵

However, in the 2022 Supreme Court decision itself, Justice Sotomayor's dissent cited the Court of Appeals' explanation that each year from 1998 to 2006 "residents of Puerto Rico contributed in aggregate over \$4 billion per year to the Treasury, a sum larger than the contributions by residents of Vermont, Wyoming, and several other States."⁶ This tax collection information then flies in the face of the truism that residents of Puerto Rico do not "contribute to the [federal] public treasury". Moreover, it raises the question of the extent to which residents of Puerto Rico do contribute taxes to the federal treasury and the extent to which then the U.S. Treasury is extracting resources from Puerto Rico's residents without a commensurate provision of federal services. Furthermore, this extraction of Puerto Rico's monetary resources seems paradoxically tied to federal policy regarding tax exemptions for persons and entities conducting business in Puerto Rico, specifically those tied to Internal Revenue Code (IRC) sections 931 and 936.

The Court Reasoned That "Just As Not Every Federal Tax Extends To Residents Of Puerto Rico, So Too Not Every Federal Benefits Program Extends To Residents Of Puerto Rico."

1 Article IV, Section 3, Clause 2 (Territory Clause).

2 For example, 1917 Jones Act, Public Law No. 64-368, Section 9. Puerto Rico is not subject to Article I, Section 8, Clause 1 of the U.S. Constitution (the Uniformity Clause), given by the jurisprudence of the *Insular Cases*.

3 *United States v. Vaello Madero* 596 U.S. (2022).

4 *Califano v. Torres* 435 U.S. 1 (1978). The court further asserted in its reasoning that "...the cost of including Puerto Rico would be extremely great..." and "...inclusion in the SSI program might seriously disrupt the Puerto Rican economy."

5 *Harris v. Rosario* 446 U.S. 651 (1980).

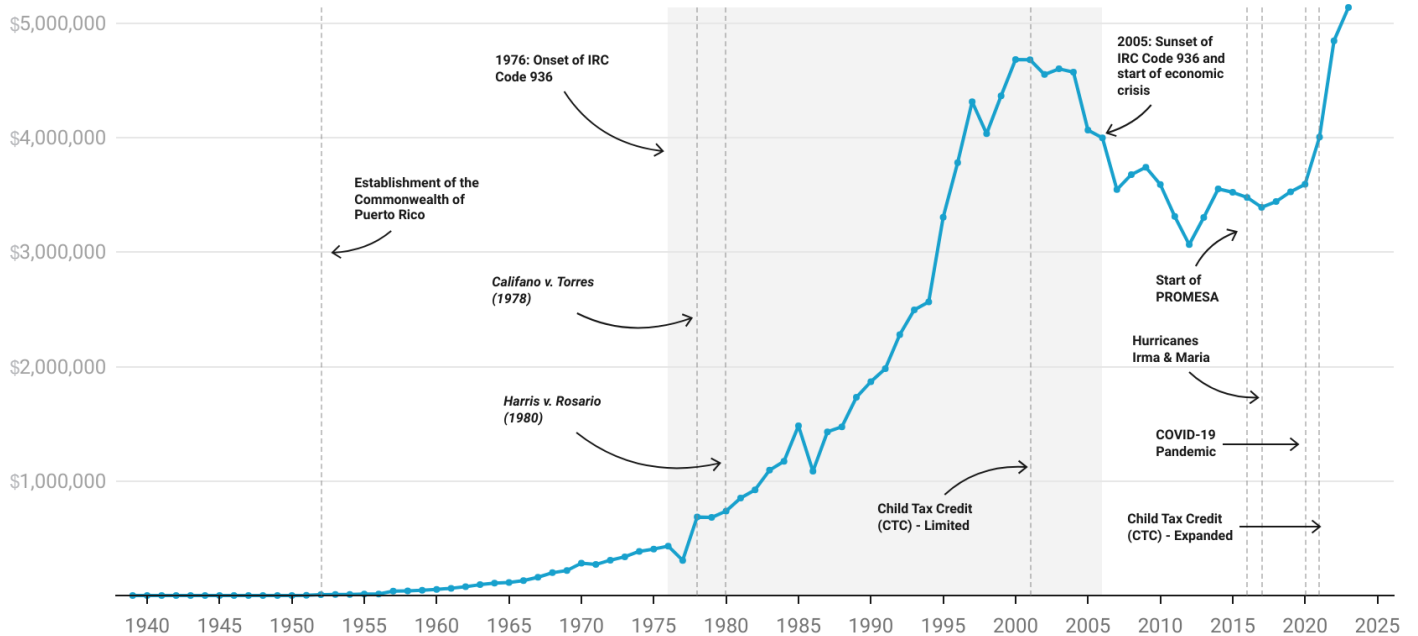
6 These other states that contributed fewer federal income taxes to the U.S. Treasury were North Dakota, Alaska, Montana and South Dakota *United States v. Vaello Madero* 596 U.S. (2022).

PUERTO RICO'S FEDERAL INCOME TAX CONTRIBUTIONS

Publicly available Internal Revenue Service (IRS) data indicate residents of Puerto Rico had been paying “income taxes” to the federal treasury since at least 1939. As Figure 1 shows, residents of Puerto Rico contributed \$12,000 in 1939 in individual income taxes.⁷ These contributions increased to nearly \$7.2 million in 1952, the year the territory was organized politically under the Commonwealth arrangement. By 1966, individual contributions from Puerto Rico had increased tenfold to \$75.6 millions; and more than doubled by 1970, when individuals contributed about \$194.6 millions in taxes to the U.S. government. Gross income tax contributions from individuals and business filings from Puerto Rico were \$130 million in 1966 and \$282 million in 1970.

Gross federal taxes from Puerto Rico more than doubled once again after 1976, coinciding with a qualitative change in the federal tax code applicable to Puerto Rico with the enactment of IRC section 936. In 1978, Puerto Rico gross federal contributions were \$687 million; more than \$1 billion in 1983; and more than \$3.7 billion in 1996, the year Congress repealed IRC section 936. Gross income tax receipts from Puerto Rico continued to grow throughout the section 936 phase-out period (1996-2005), peaking at \$4.685 billion in 2000. Federal tax receipts from Puerto Rico then reached their nadir in 2012, at \$3.067 billion. In 2023, the IRS collected more than \$5 billion dollars in tax receipts in Puerto Rico.

Figure 1. Total IRS Gross Revenue in Puerto Rico, 1939 - 2023 (in thousands of dollars)



Source: Internal Revenue Service, *SOI Tax Stats - Gross Collections by Type of Tax and State - IRS Data Book Table 5, 2000-2023*; Internal Revenue Service, *SOI Tax Stats Archive - 1863 to 1999 Annual Reports and IRS Data Books, 1939-1999*

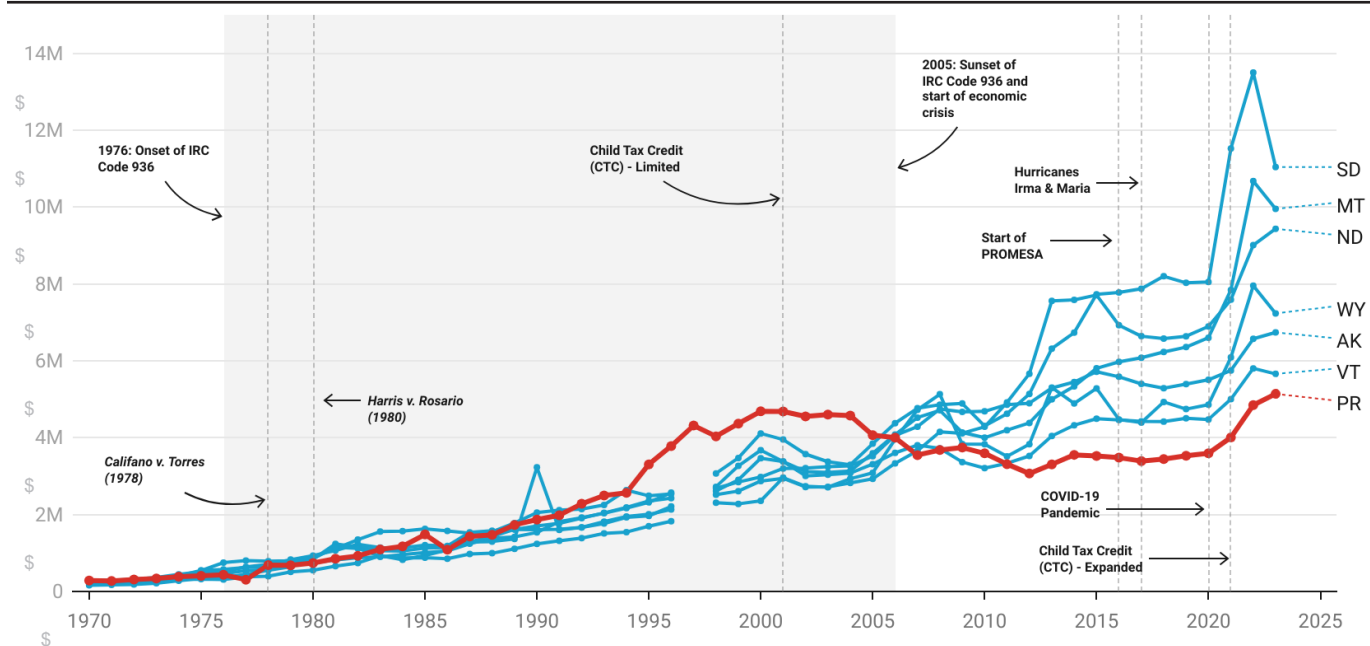
⁷ The figures presented in tables throughout this brief are not adjusted for inflation.

For a territory whose residents purportedly do not pay federal income taxes, there appears to be substantial federal revenue raising in Puerto Rico. Moreover, as noted by Justice Sotomayor in her dissent to the Court's *Vaello-Madero* decision, Puerto Rico residents not only paid federal taxes but paid more to the federal treasury than six states of the union between 1998 and 2005. In fact, gross federal income tax revenues from individuals and businesses in Puerto Rico have been generally higher than those from Vermont, North Dakota, South Dakota and Wyoming since 1970 (see Figure 2 and Appendix 1). Residents of Puerto Rico have contributed more in federal income taxes than Vermont during 37 years of the last 54 years; than Wyoming for 32 years since 1970; than South Dakota (30 years); than North Dakota (26 years); than Montana (18 years); and than Alaska (17 years).⁸ This pattern of federal contribution, whereby Puerto Rico residents contribute more than several states, shifted after 2005, coinciding with the complete phase-out of IRC section 936. Since 2007, Puerto Rico is

the state-equivalent U.S. jurisdiction that contributed the least in gross collections to the federal treasury. Still, since 2007, residents of Puerto Rico continue to contribute more than \$3 billion of dollars a year to the U.S. government.

The implication of these gross collections of federal funds in Puerto Rico, as argued by *friends of the court* in the *Vaello-Madero* case and echoed by Justice Sotomayor, is that residents of Puerto Rico are being treated differently—discriminated against—by the U.S. government. Even though these Puerto Rico residents are paying their (fair?) share of taxes into the federal coffers, they are not receiving the same services as other U.S. tax-paying citizens.⁹ The majority of the Supreme Court in *U.S. v. Vaello-Madero* was not persuaded by arguments that relied on these billions of dollars residents of Puerto Rico already contributed to the federal treasury, inferring they were not income taxes going to the general fund. The Court noted that Congress had the authority to treat Puerto Rico differently—discriminate against its residents, whether providing fewer services or

Figure 2. Total Irs Gross Revenue in Puerto Rico and Selected States, 1970-2023 (in thousands of dollars)



Source: Internal Revenue Service, *SOI Tax Stats - Gross Collections by Type of Tax and State - IRS Data Book Table 5, 2000-2023*; Internal Revenue Service, *SOI Tax Stats Archive - 1863 to 1999 Annual Reports and IRS Data Books, 1939-1999*

⁸ These states have little in common with Puerto Rico. With the exception of Vermont, they are all very large states geographically; with Alaska the largest. They all have fewer residents than Puerto Rico; five out of the six states have the smallest populations in the United States. With the exception of Vermont, these states have some of the most expansive natural resources, in the form of oil, natural gas, coal, among others. States that may have more in common with Puerto Rico, based on population size and the rate of poverty, such as Louisiana, New Mexico and Mississippi, all contribute much more to the federal treasury than Puerto Rico.

⁹ The majority of the Supreme Court explained that there is a program in Puerto Rico, funded in part by federal funds that offer similar but not the same or equal benefits. In fact, the old Aid to the Aged, Blind, or Disabled program continues to operate in Puerto Rico but as a block grant administered by the government of Puerto Rico at only one-seventh of the federal resources that would be available to individual beneficiaries under SSI (Torres, Rosanna. 2020. Impact of the Supplemental Security Income in Puerto Rico. Centro para una Nueva Economía. <https://grupocne.org/2020/06/25/impact-of-the-ssi-in-puerto-rico/>, accessed on July 21, 2024.)

restricting the extent of services—given Puerto Rico’s territorial status. The majority of the Court even ventured that if residents of Puerto Rico were to be treated the same as residents of U.S. states (and the Northern Mariana Islands) for the purposes of the supplemental security income program, then its residents might have to be subject to federal income taxes.¹⁰

Puerto Rico has indeed contributed billions of dollars in federal taxes to the U.S. Treasury. The contributions to the federal treasury that residents of Puerto Rico have made have been greater than those made by some states of the union. But the volume of contributions made from Puerto Rico to Washington reported by the IRS and displayed in this brief include not simply “income taxes” but other payroll contributions; specifically, Social Security and Medicare (e.g., FICA and SECA). The Court of Appeals, in its review of the case brought against Vaello-Madero prior to the Supreme Court review,¹¹ cited data from the Internal Revenue Service.¹² Those data on gross collections did not disaggregate income taxes, whether withheld or not, from FICA/SECA taxes in their public reports at the national- or state-level. As a result, the \$4 billion dollars in gross collections from Puerto Rico in 2006 cited in the court case, included business income taxes, individual income tax withheld and FICA tax, individual income tax payments and SECA tax, unemployment insurance tax, estate and trust income tax, and excise taxes. By 2023, these gross collections added up to \$5 billion. But these contributions do not seem to be the ones that the U.S. Supreme Court and Congress had in mind when establishing whether some federal services (e.g., SSI) were to be provided to

residents of Puerto Rico on an equal basis. In fact, the bulk of these federal contributions collected in Puerto Rico appear to be from Social Security and Medicare (payroll) taxes, not income taxes as such. Those federal safety net programs are offered in Puerto Rico on an equal basis. Consequently, residents of Puerto Rico make corresponding contributions to the programs.¹³

The bulk of tax payments to the federal treasury appear to be payroll taxes. The number of *income tax* payers in Puerto Rico is notably small. IRS guidelines indicate that “section 933 of the U.S. Internal Revenue Code requires that U.S. citizens who are bona fide residents of Puerto Rico during the entire taxable year, but who receive income from sources outside Puerto Rico and/or receive income as a civilian or military employee of the U.S. Government in Puerto Rico, must file a U.S. Federal income tax return.”¹⁴ Moreover, a resident of Puerto Rico who has “no U.S. filing requirement but ha[s] income that is effectively connected with a trade or business in Puerto Rico, [...] must file [...] to report [...] self-employment income and, if necessary, pay self-employment tax.”¹⁵

There are tens of thousands of federal employees in Puerto Rico. However, these numbers are but a fraction of the number of individual federal tax filings reported for Puerto Rico in any given year. Between 1990 and 2017, the number of federal employees in Puerto Rico estimated by the Bureau of Labor Statistics ranged between 13,000 and 14,000 (see Table 1). After 2017, the number of federal employees residing in Puerto Rico increased steadily so that by 2023 there were an estimated 20,000 federal employees.¹⁶ In contrast, the number of federal tax filings

10 In its words, “... if this Court were to require identical treatment on the benefits side, residents of the States could presumably insist that federal taxes be imposed on residents of Puerto Rico and other Territories in the same way that those taxes are imposed on residents of States.” An implication of this line of thinking is that the majority of the Court cannot envision how residents of the States, through their representatives in Congress, might ever consider accepting a treatment of residents of its Territories that is better than theirs. The majority of the Court, however, seems to endorse that residents of the States, through their representatives in Congress, can and do withstand treating the residents of the Territories worse than them. Perhaps not incidental to the legal and legislative argument made by the majority of the Court but relevant from a practical perspective is the fact that, even if all Puerto Rico residents were subject to U.S. federal income taxes, the majority would still not be paying any tax because more than 40% of the population lives below the federal poverty rate, only 42% of the population 16 years of age and older was employed and the median household income was \$24,112 a year (in 2022).

11 *United States v. Vaello-Madero*, 956 F.3d 12 (1st Cir. 2020)

12 SOI Tax Stats - Gross Collections, by Type of Tax and State - IRS Data Book Table 5, available at <https://www.irs.gov/statistics/soi-tax-stats-gross-collections-by-type-of-tax-and-state-irs-data-book-table-5> (last visited April 9, 2020)

13 For December 2023, the Social Security Administration recorded 827,567 beneficiaries in Puerto Rico. These beneficiaries represented 1.2% of all beneficiaries in the United States. Collectively, those 827,000 Social Security beneficiaries in Puerto Rico received \$948.2 million dollars that month, or 0.8% of the \$118.5 billion dollars disbursed (U.S. Social Security Administration, Office of Retirement and Disability Policy, Office of Research, Evaluation, and Statistics Congressional Statistics, 2023.) https://www.ssa.gov/policy/docs/factsheets/cong_stats/2023/

14 Department of the Treasury, Internal Revenue Service, Publication 1321 (October 2023), Special Instructions For Bona Fide Residents Of Puerto Rico Who Must File A U.S. Individual Income Tax Return (Form 1040 or Form 1040-SR). <https://www.irs.gov/pub/irs-pdf/p1321.pdf> downloaded on July 15, 2024.

15 Department of the Treasury, Internal Revenue Service, Publication 570 Tax Guide for Individuals With Income From U.S. Territories. <https://www.irs.gov/pub/irs-pdf/p570.pdf> downloaded on July 15, 2024.

16 Estimates from the American Community Survey between 2010 and 2022 and the 1990 and 2020 decennial censuses indicate that the number of federal workers in Puerto Rico consistently exceeded 20,000, reaching 25,000 in 2022.

Table 1. Number of Federal Employees in Puerto Rico (annual average estimates), 1990-2023

Year	Number of Federal Employees
1990	13,580
1991	13,574
1992	14,486
1993	14,088
1994	14,347
1995	14,232
1996	14,281
1997	14,152
1998	14,852
1999	14,680
2000	15,238
2001	14,458
2002	14,470
2003	15,499
2004	15,160
2005	14,844
2006	14,558
2007	14,433
2008	14,766
2009	14,975
2010	17,027
2011	14,642
2012	14,347
2013	13,995
2014	13,848
2015	14,197
2016	14,434
2017	14,776
2018	16,323
2019	16,325
2020	19,768
2021	17,767
2022	18,746
2023	20,055

Source: U.S. Bureau of Labor Statistics, QCEW Data Files, 1990-2023.

was in the one-hundred thousand range during the 1990s; more than two-hundred thousand between 2000 and 2021; and greater than three-hundred thousand in 2022 and 2023.¹⁷ Evidently the number of federal employees does not account for the very large number of federal filings in (and contributions from) Puerto Rico.

The number of self-employed business owners working in unincorporated ventures in Puerto Rico, subject to federal self-employment taxes (e.g. FICA, SECA), does not seem to account either for the large number of federal tax filings from Puerto Rico. In 2000, there were approximately 69,000 self-employed workers in Puerto Rico (see Appendix 3). Between 2010 and 2022 there were between 95,000 and 119,000, whereas the number of filings from businesses was a fraction of those figures.¹⁸ Also subject to filing federal tax returns in Puerto Rico are persons whose income, whether total or partial, may derive from sources outside of Puerto Rico, whether the United States or elsewhere in the world. Extant data that account for the sources of income external to Puerto Rico are not publicly available. Therefore, the extent to which these Puerto Rico residents who are subject to filing federal tax returns is imprecise at the moment.

While there have been several hundred thousand individual tax filings from Puerto Rico, the actual number of individual income tax filings has been much smaller. In 2021, the IRS reported there were 77,440 income tax returns for 135,000 individuals in Puerto Rico, compared to 228,865 tax filings overall, which included payroll tax filings. The more than 77,000 income tax returns filed in 2021 captured \$3.8 billion in adjusted gross income, with \$130 million due in taxes at the time of filing.¹⁹ These income tax collections compare to the \$3.9 billion in overall individual tax gross collections. Evidently, the federal income taxes collected from taxpayers in Puerto Rico is a fraction of the total federal tax collections in the territory.

17 These tax filings include Form 1040 in its different iterations, namely, 1040 (individual income tax return); 1040-A (individual income tax return, short form); 1040-C (income tax return for departing aliens); 1040-EZ (individual income tax return for single and joint filers with no dependents); 1040-NR (nonresident alien income tax return); 1040NR-EZ (income tax return for certain nonresident aliens with no dependents); 1040-PR (self-employment income tax return for Puerto Rico residents); 1040-SR (tax return for seniors); and 1040-SS (self-employment income tax return for U.S. Virgin Islands, Guam, American Samoa, and Northern Mariana Islands residents). See Appendix 2.

18 The number of business federal tax filings between 2010 and 2022 ranged between 1,100 and 3,000. However, the bulk of self-employment taxes would have been paid by individuals as sole proprietors, rather than under incorporated enterprises. Therefore, most of those self-employment tax filings would be captured under the individual tax filings, which for the period of 2010 and 2022 ranged between 225,000 and 368,000. (The exception was for the year 2020 when there were only 86,000 individual tax filings and less than 2,000 business filings.)

19 The number of income tax returns filed in Puerto Rico in 2018 were 75,790; 65,100 in 2019; and 87,150 in 2020 (SOI Tax Stats - Historic Tables, Summary Statistical Tables, Total File, All States: Table 2. Individual Income and Tax Data, by State and Size of Adjusted Gross Income. <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2> Accessed on July 21, 2024.)

SHIFTING SOURCES OF FEDERAL CONTRIBUTIONS FROM PUERTO RICO

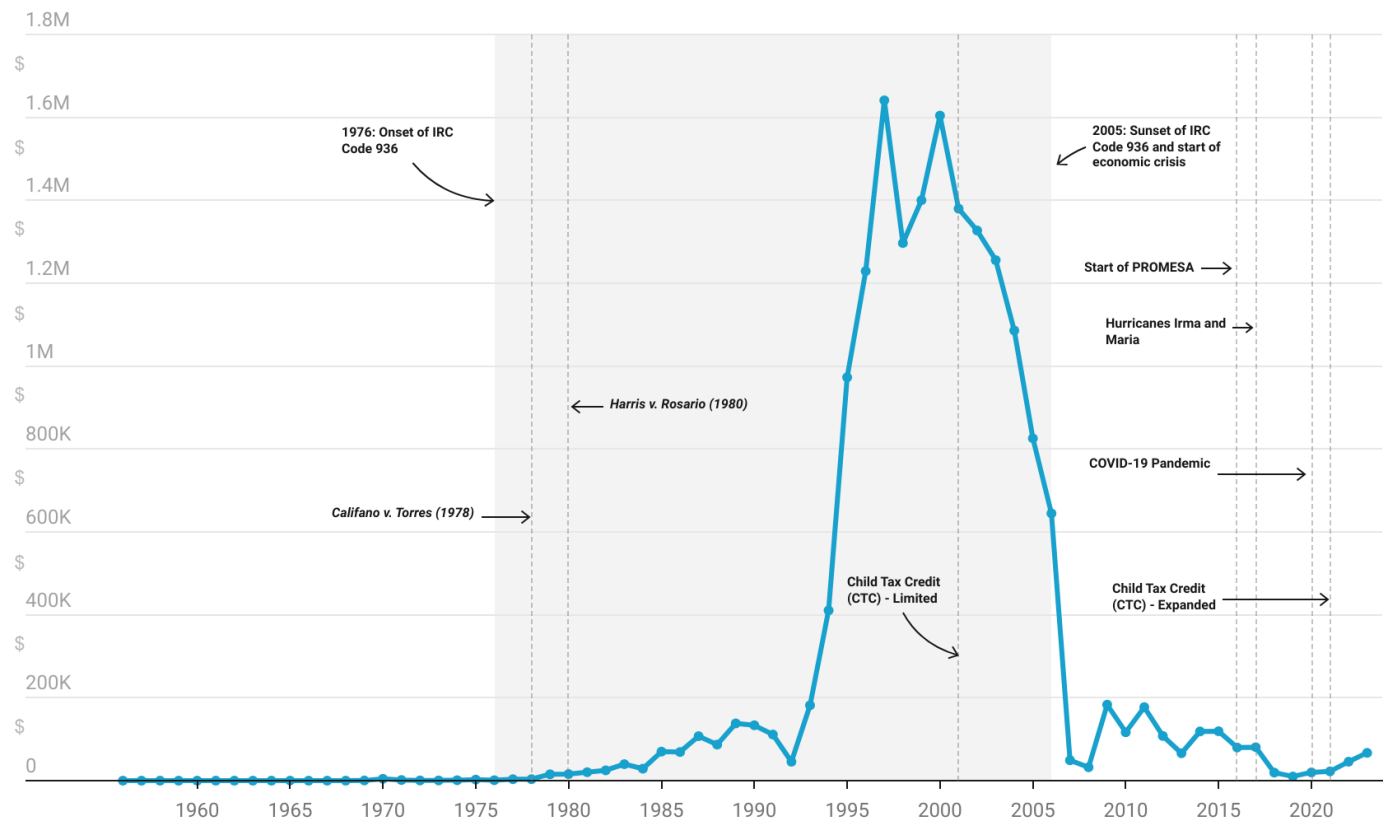
Based on the aforementioned data, it is apparent that federal tax policy towards Puerto Rico has impacted the collection of these federal revenues on Puerto Rico. Not only does Congress establish under what conditions (i.e., programs) residents of Puerto Rico must file and pay taxes, but it also determines the larger set of tax policy that contributes to structure Puerto Rico's economy.

As noted above, total contributions to the federal coffers from Puerto Rico dropped to last place compared to states of the union, coinciding with the end of IRC section 936; the result of Congressional legislative action. Moreover, the source of those contributions from within Puerto Rico has shifted as well. As shown in Figure 1, federal "income tax" contributions from individuals increased, sometimes

geometrically after 1950, and generally continued that growth through 2023.²⁰ However, income tax contributions from businesses did not follow the same trend (see Figure 3, also Appendix 2). There appears to be a pattern of growth and contraction in federal business income tax contributions between 1956 (the first year for which these data are reported) and 1976, the year IRC section 936 went into effect. From 1976 onward, federal business income contributions from Puerto Rico tripled, then increased fivefold and tenfold, until they reached in excess of \$1 billion dollars a year between 1996 and 2004. These federal business income contributions peaked in 1997, but then they began to decline precipitously after 2006, with the onset of Puerto Rico's Great Recession in the wake of the end of IRC section 936. Business federal contributions from Puerto Rico reached their nadir in 2019 with only \$10 million.

When Congress, at the behest of the Clinton administration, and with the consent of the Commonwealth government,²¹ eliminated section 936 of the Internal

Figure 3. IRS Total Business Income Taxes Collected in Puerto Rico, 1956-2023 (in thousands of dollars)



Source: Internal Revenue Service, *SOI Tax Stats - Gross Collections by Type of Tax and State - IRS Data Book Table 5, 2000-2023*; Internal Revenue Service, *SOI Tax Stats Archive - 1863 to 1999 Annual Reports and IRS Data Books, 1956-1999*

20 As noted above, the IRS reports under the label gross income tax collections taxes that are not technically income taxes, but rather payroll taxes and others.

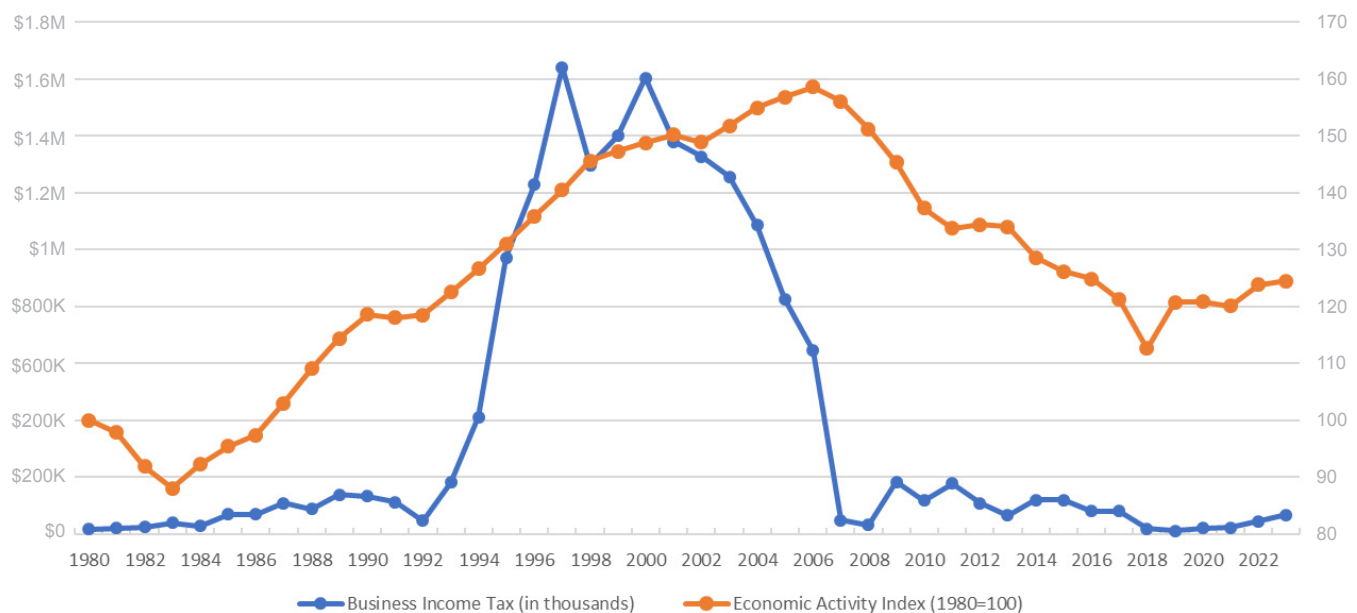
21 Maldonado, A.W. 2021. *Boom and Bust: How Politics Destroyed an Economic Miracle*. South Bend, Indiana: University of Notre Dame Press.

Revenue Code in 1996, it had argued that the lion's share of the tax benefit was accrued by capital intensive manufacturing firms rather than labor intensive firms—more than \$2.6 billion in 1989.²² The leading implicit and explicit argument was that the 936 tax credit beneficiaries obtained greater tax benefits than the amount of jobs they were creating in Puerto Rico.²³ Therefore, the federal tax benefit obtained by these firms was not deemed an efficient exercise of federal tax policy. While there were expressed, albeit uncertain, concerns about the impact on Puerto Rico's overall economy from eliminating IRC section 936, Congress repealed it. The associated federal tax credit sunset fully by the end of 2005. This federal action coincided with the steep sustained economic decline in Puerto Rico's economy which began in 2006 and continues to this day (see Index of Economic Activity in Appendix 4).

It is not clear whether the U.S. Treasury realized the congressional goal of capturing additional tax revenues from companies that had benefited from section 936 while it was in effect. Admittedly, these firms may have contributed more

federal revenue in their home states in the United States since 2006 upon full expiration of the tax credit in Puerto Rico. But these contributions are not readily identified from extant IRS data. What is evident from available data is that federal tax contributions from all businesses in Puerto Rico filing federal tax returns declined substantially after the period of sustained and tremendous growth during which section 936 was in effect (1976-2005) (see Figure 3). These tax contributions from businesses in Puerto Rico may not have been directly tied to section 936. But the elimination of this federal tax code provision had an enormous indirect negative effect on economic activity in Puerto Rico, parallel to what Puerto Rico Economic Development Bank's index of economic activity shows (see Figure 4). An interpretation of these trends is that one of the consequences of the federal government's attempt to stop the "undue" tax avoidance by 936 firms is that the federal treasury in fact stopped receiving \$17 billion in contributions from businesses in Puerto Rico as a result of diminished economic activity in the last two decades and reduced employment.

Figure 4. Federal Business Tax Collections and Economic Activity in Puerto Rico, 1980-2023



Source: Internal Revenue Service, SOI Tax Stats - Gross Collections by Type of Tax and State - IRS Data Book Table 5, 2000-2023; Internal Revenue Service, SOI Tax Stats Archive - 1863 to 1999 Annual Reports and IRS Data Books, 1980-1999; Center of Economic Studies. 2024. *The Puerto Rico Economic Activity Index (EDB-EAI)*. Economic Development Bank for Puerto Rico, <https://www.bde.pr.gov/BDE/PREDDOCS/EDB-EAL.pdf>

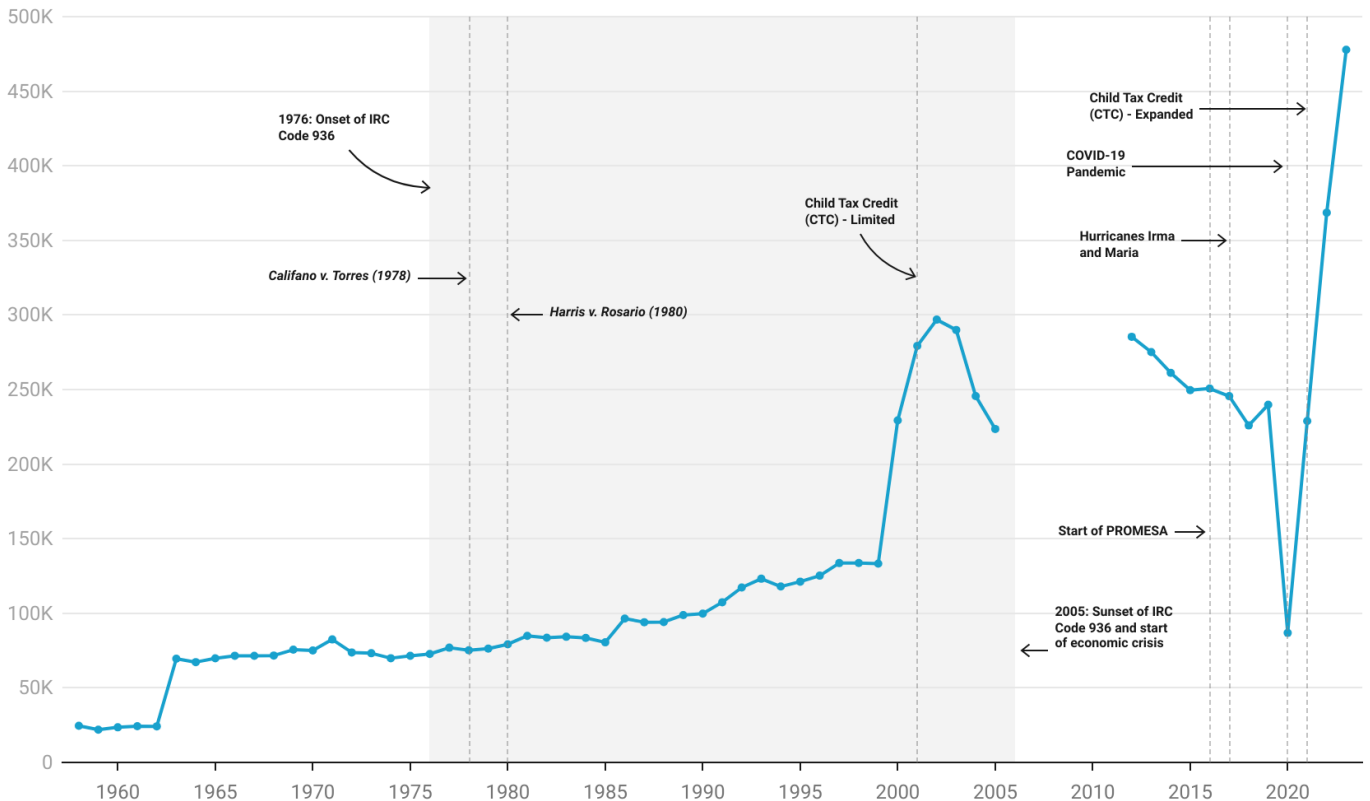
22 U.S. General Accounting Office, Tax Policy: Puerto Rico and the Section 936 Tax Credit. Report to the Chairman, Committee of Finance, U.S. Senate. GGD-93-109, June 1993. Also, García López, José G., 2022. Reformas contributivas en Puerto Rico: Trasfondo, impacto y alcance, 1989-2020. San Juan Puerto Rico: Publicaciones Puertorriqueñas, Inc.

23 The General Accounting Office (1993) estimated that 34 out of a total of 308 936-firms benefited most from the 936 tax credit, with the federal treasury losing half of the aggregate \$2.6 billion from tax benefits claimed by these 34 firms.

Another noteworthy observation from the data on federal tax collections from Puerto Rico is that while business tax receipts declined tremendously since 2006, individual federal “income tax” payments have been on a steep upward trend for decades. Figure 1 shows the level of federal individual income tax collection in Puerto Rico since 1939, showing this growth. Individuals residing in Puerto Rico collectively paid \$1 billion in 1985, \$2 billion in 1993, \$3 billion in 2000, \$4 billion in 2022, and \$5 billion in 2023. Along with this increase in gross contributions from individuals in Puerto Rico to the federal treasury, there has been an increase in individual federal tax filings in Puerto Rico (see Figure 5). From 24,000 filings in 1958 to 69,000 in 1963, filings then jumped to more than 100,000 in 1991; to more than 200,000 in 2000, then to more than 300,000 in 2022, and more than 400,000 in 2023.

This increase in individual federal tax payments represents a puzzle. It is not immediately apparent why this increase in individual income tax contributions and filings may be taking place. However, there may be three reasons why this may be the case: an increase in the number of Puerto Ricans who are federal employees, the number of Puerto Ricans with income from outside Puerto Rico subject to federal income tax, and changes in administrative rules incentivizing the filing of federal tax returns. As discussed above, the number of federal employees subject to federal income tax filings has remained fairly stable up until 2017, but its growth since that time does not seem to account for the large number of tax filings registered. Neither does the number of individual business owners filing self-employment taxes. However, a factor that may have increased the number of federal income tax filings, although not necessarily the amount of contributions, is the eligibility for persons in Puerto Rico who may apply and receive the earned income tax credit as well as additional child tax credit.

Figure 5. Individual Federal Tax Filings in Puerto Rico, 1956-2023



Source: Internal Revenue Service, *SOI Tax Stats - Gross Collections by Type of Tax and State - IRS Data Book Table 3, 2000-2023*; Internal Revenue Service, *SOI Tax Stats Archive - 1863 to 1999 Annual Reports and IRS Data Books, 1939-1999*

The federal income tax credit is a tax credit for working low-income persons that has a refundable component (i.e., the portion above what is used to offset taxes owed are “refunded” to the individual). However, the federal income tax credit does not apply in Puerto Rico.²⁴ Instead, a locally legislated earned income tax credit is financed with federal funds. Notably, in order to receive the credit in Puerto Rico, individuals do not need to file a federal tax return or equivalent form. Therefore, this tax credit is unlikely to have resulted in an increase in federal tax returns.

On the other hand, in order to receive a federal child tax credit, individuals must file a federal tax return. The federal child tax credit, established in 1997, was initially a non-refundable tax credit available to working families with children. It became partially refundable to filers in 2001. In Puerto Rico, this tax credit was only available to families with three children or more, limiting its broad applicability, so that by 2019 only 10% of families with children in Puerto Rico was eligible.²⁵ In 2021, the federal government expanded the refundable tax credit to families with one or more eligible children, up to \$3,600 per child, by filing a federal tax return.²⁶ Estimates indicate that between 223,000 and 300,000 families in Puerto Rico might be eligible for this tax credit.²⁷

At these levels of eligibility, it becomes more apparent the varying impact that federal policy has on Puerto Rico: as eligibility to federal programs extends to Puerto Rico, so do tax filings. Individual federal tax filings in Puerto Rico grew by more than 60% between 2018 and 2022, and more than double by 2023. This increase may certainly be accounted for by filings from families seeking to claim the child tax credit, particularly after extensive outreach efforts locally. However, this increased eligibility does not seem to account for the large number of individual tax filings originating in Puerto Rico prior to 2019 or even 2001.

The bulk of the number of federal tax filings originating in Puerto Rico appear to be the result of the payroll taxes (i.e., Social Security and Medicare), not necessarily to account for and report income subject to federal income tax in Puerto Rico. Payments to the safety net insurance programs appear to be increasing; a puzzling development given that the number of persons working in Puerto Rico has not changed much between 2010 and 2022, and whatever increase in employment that may have taken place between 2021 and 2022 might not enough to account for the number of individual tax filings alone.

However, a closer analysis reveals more dynamic conditions. To wit, in 2010, the Census Bureau estimated 1,123,000 persons employed in Puerto Rico. By 2021, the number of persons employed was 1,066,000. For 2022, there were 1,165,000 persons employed.²⁸ However, the number of federal tax filings in 2021 was 228,865. This number increased by 139,000 in 2022 to 368,575 individual filings. The increase of 99,000 employed persons between 2021 and 2022 does not match on its own the more than 139,000 additional individual federal tax filings during the same period. However, it is conceivable that the increase in employed persons in Puerto Rico along with the number of families claiming the federal tax credit may explain the increased number of individual tax filings.

24 Marxuach, Sergio, M. and Torres, Rosanna. 2021. The Earned Income Tax Credit. Centro para una Nueva Economía. <https://grupocne.org/2021/02/18/the-earned-income-tax-credit/>. Accessed on July 21, 2024.

25 Espacios Abiertos (2023) Crédito por Trabajo: Calculate Your Earned Credit. <https://espaciosabiertos.org/en/credito-por-trabajo-para-incentivar-nuestra-economia/> downloaded on July 22, 2024. Enchautegui, M.E., Garcia, C., Blakely-Vallecillo, V., Carrasquillo-Vásquez, L., Rodriguez, C.I., and Arroyo-Quijano, C.A. (December 2022) Child Tax Credit (CTC): The Child Tax Credit in Puerto Rico: Impacts on Poverty and the Lives of Families. San Juan: Instituto del Desarrollo de la Juventud.

26 Department of the Treasury, Internal Revenue Service, Publication 5650 (PR) (6-2022) Catalog Number 93118B.

27 Enchautegui et al. (2022).

28 Puerto Rico’s Department of Labor and Human Resources reports 1.284 million employed persons in 2010, 1.136 million in 2021, and 1.196 million in 2022 (seasonally adjusted historical series, Puerto Rico’s labor market: https://www.mercadolaboral.pr.gov/Tablas_Estadisticas/Fuerza_Trabajadora/T_Serie_Historica.aspx accessed on August 7, 2024. The increase in employed persons between 2021 and 2022 using these data is 60,000; lower still to account for the increase individual federal tax filings in Puerto Rico during the same period.

“GIVERS” AND “GETTERS”: INVIDIOUS TAX AND FISCAL POLICY IN THE UNITED STATES

Implicit in any discussion on paying taxes is the question of entitlement. Often, positions and demands on governments and their agencies in the United States political system are couched in the entitlement derived from paying taxes. “*I am a taxpayer*” can be more forceful a platform to demand responsiveness from the government than it is the assertion “*I am a citizen*”. After all, one of the founding myths of the United States as a purposive nation (e.g., the Boston Tea Party) was precisely a reaction to the imposition of taxes (along the distribution of those tax-derived revenues in the administration of government) without the commensurate political representation in the government that imposed those taxes. When those self-righteous exhortations about the worthiness of demands stemming from tax-payers are framed in comparison to those of their antithesis—the welfare recipient—the stage is set for a political debate that is skewed. This has clearly been seen in politics for decades, most clearly evident in the 1976 presidential elections campaign, with Ronald Reagan’s indignant indictment against the “welfare queen” or the 2012 presidential elections with Mitt Romney railing against the “takers” who in his view supported his opponent, in contrast to the “makers”.

While this dichotomy centers on perceptions of individuals, there is also a perspective that examines states and other jurisdictions as “givers” or “getters” of tax resources within the confines of the nation. At bottom, whether seen from an individual or a states’ perspective, the debates boil down to the *redistribution* of governmental resources and the fairness or deservedness of claims to those governmental resources. From this perspective, Puerto Rico’s position might be precarious. It purportedly does not pay into the federal treasury, but neither does it have meaningful congressional representation. Yet, it receives seemingly disproportionate resources from the U.S. government in the

form of federal transfer payments. But, as it is evident from the data presented elsewhere in this report, these are transfers to which residents of Puerto Rico are entitled after paying into the system,²⁹ even when they do not benefit from those payouts proportionately (e.g., Social Security).

In fiscal year 2022, there were 39 states that received more in federal moneys than they paid to the federal government (see Figure 6, also Appendix 5).³⁰ On the other hand, there were 11 states which paid more into the federal treasury than they received in federal resources. These 11 states include some of the largest and wealthiest states (e.g., California, New York, Connecticut, etc.). One would surmise that the federal government is redistributing wealth from the richest states to the poorest states. However, the two states that received the most federal resources than they paid into the federal treasury (i.e., Virginia and Maryland) are among the 12 richest states in the country. In fact, the poorest states of the union (i.e., Louisiana, Mississippi and New Mexico) rank in the middle of the states that received the most federal resources than paid into the treasury. Evidently there are other considerations into the distribution of federal resources than simply a generous redistribution of wealth from the wealthy to the poor, for instance, the physical proximity to the federal government’s seat of power (i.e., Washington, DC) or inordinate access to institutional political power (e.g., Kentucky).

Puerto Rico’s position in this comparison is squarely among those jurisdictions that receive more in federal resources than pay into the federal treasury. But Puerto Rico falls in the middle of the distribution of the 39 states that receive more than the pay into the governmental system, occupying the eighteenth place. In fiscal year 2022, the IRS collected \$4.8 billion in revenue, while the federal government overall paid \$33.4 billion in resources in Puerto Rico. This is a difference of -\$28 billion in Puerto Rico’s “balance of payment” with the federal government, about the same as Mississippi and New Mexico. Yet Puerto Rico’s “balance of payment” was lower than the -\$65 billion difference for Kentucky, the -\$71 billion for Maryland or the -\$129 billion for Virginia. These rankings may have been affected by the extraordinary amounts of federal

29 Pantojas-García, Emilio. 2007. “Federal Funds” and the Puerto Rican Economy: Myths and Realities. *CENTRO: The Journal of the Center for Puerto Rican Studies* 19(2): 206-223.

30 Holland, Lynn and Patrick Schumacher. 2024. *Giving or Getting? New York’s Balance of Payments with the Federal Government*. Albany, NY: Rockefeller Institute of Government, State University of New York.

resources spent in response to the SARS CoVID-2 pandemic beginning in 2020. Certainly, the rankings shifted somewhat between states when analyzing data from 2019. However, Puerto Rico standing had remained virtually unchanged, ranking 20th out of 42 states who had received more in federal resources than they may have contributed to the federal treasury (see Appendix 6).

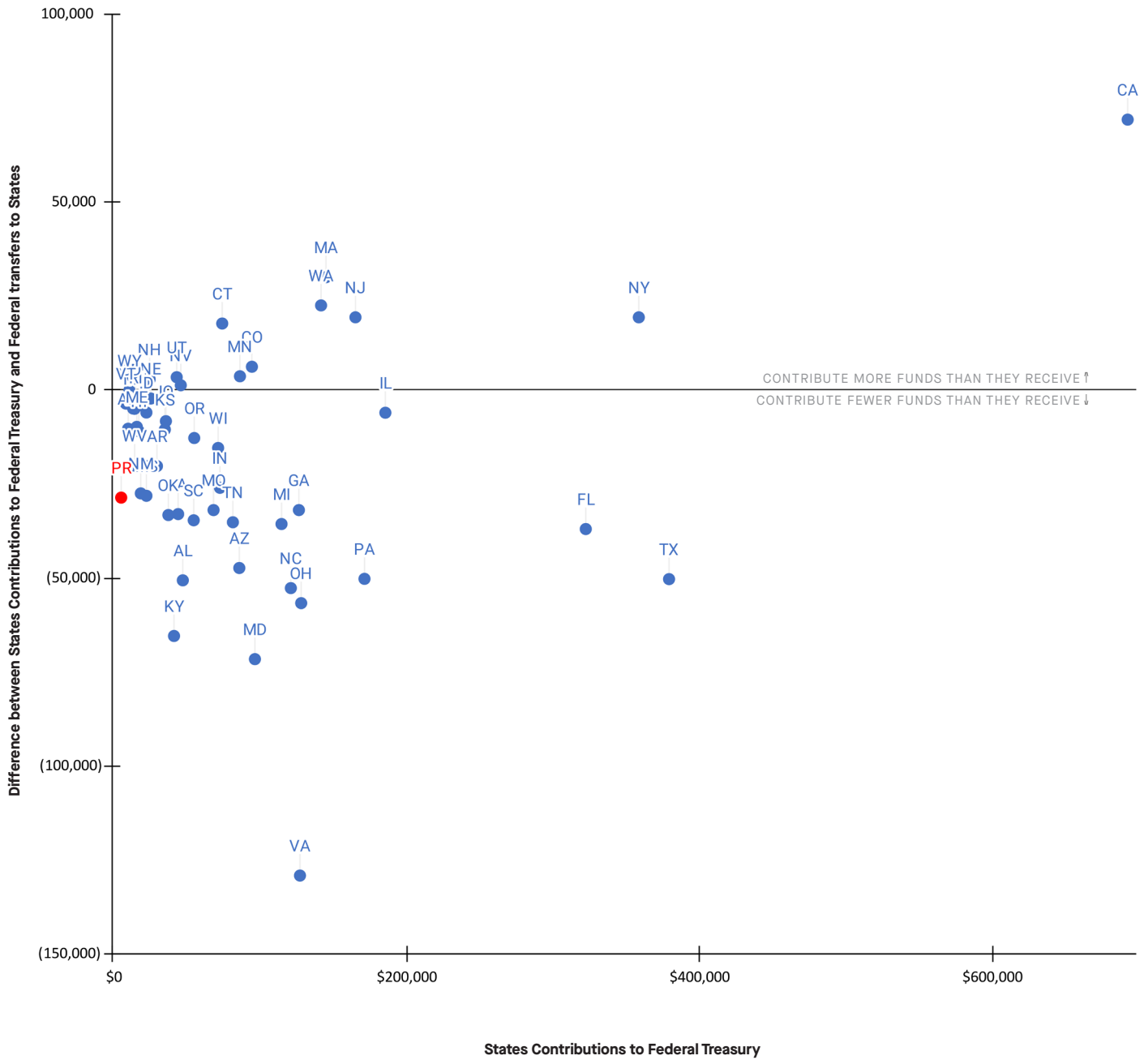
Therefore, Puerto Rico is not among the top “getter” states. That characterization goes to Virginia, Maryland and Kentucky. But it is also shared by Texas, Pennsylvania, Arizona and Florida, states whose own “balance of payment” with the federal government ranged between -\$36 billion and -\$50 billion; getting more from the federal government than what they pay into it.

CONCLUSION

Residents in Puerto Rico pay billions of dollars every year to the U.S. government. They do so because they are mandated by the U.S. Congress to do so despite the oft-repeated slogan that Puerto Ricans do not pay federal taxes. Residents of Puerto Rico pay contributions to pay for Social Security and Medicare. They are also subject and contribute to a variety of other taxes. However, the vast majority of people in Puerto Rico do not pay federal taxes on income earned in Puerto Rico from sources in Puerto Rico. Because they do not pay income taxes to the federal treasury, Congress feels justified and the Supreme Court has sanctioned that residents of Puerto Rico do not then have to receive the same services or benefits that residents of U.S. states and some other territories may be receiving. But this is not the only manner in which Puerto Rico’s territorial condition is manifest.

Congress’s ability to direct tax policy over Puerto Rico also structures the extent and volume of other taxes payments originating in Puerto Rico. The enactment and repeal of IRC section 936 created conditions that fostered tremendous growth in Puerto Rico’s economy as well as its steep decline; effects that are still being felt twenty years hence. This tax policy provision has also impacted the volume and source of tax contributions from Puerto Rico, shifting in greater numbers the contributions from individual taxpayers from business taxpayers.

Figure 6. States Balance of Payment with Federal Government, FY22 (in millions of dollars)



Source: Rockerfeller Institute, Table 3: <https://rockinst.org/wp-content/uploads/2024/07/Balance-of-Payments-Federal-2024.pdf>; IRS SOI Tax Stats IRS Data Book Table 5, 2022; and Planning Board, Economic Report to the Governor and Legislative Assembly, 2024, Table 21: <https://jp.pr.gov/wp-content/uploads/2024/07/IEG2023-OCE-SA-2024-08598.pdf>

Appendix 1. Total IRS Gross Tax Collections in Puerto Rico and selected US states, 1970-2023 (in thousands of dollars)

Year	PR	AK	MT	ND	SD	VT	WY
1970	282,563	177,160	287,396	241,029	244,057	226,674	159,214
1971	271,351	189,496	290,574	246,081	241,489	226,123	171,368
1972	308,809	215,821	316,082	263,849	267,169	247,638	183,670
1973	338,555	246,719	366,459	300,526	309,296	288,758	212,423
1974	386,235	292,248	445,823	407,019	410,495	311,179	279,013
1975	406,106	544,703	514,893	547,748	475,033	319,275	344,612
1976	431,885	749,948	517,858	573,098	461,097	311,565	366,397
1977	307,266	803,449	638,703	624,985	542,707	378,216	442,647
1978	687,277	787,118	708,673	640,674	567,379	396,383	549,536
1979	682,166	796,222	828,363	761,019	670,968	508,555	640,595
1980	738,053	893,480	934,038	839,016	742,219	552,225	851,446
1981	852,561	1,110,714	1,065,294	1,237,966	821,419	660,397	1,151,465
1982	924,232	1,348,991	1,227,943	1,157,110	877,681	740,145	1,121,175
1983	1,095,211	1,557,612	1,140,291	1,059,542	902,126	931,337	916,289
1984	1,172,923	1,570,642	1,138,328	1,052,296	958,022	824,227	874,951
1985	1,483,297	1,628,256	1,203,999	1,131,384	1,012,832	938,101	880,463
1986	1,085,963	1,576,368	1,182,949	1,142,543	1,055,328	1,078,557	850,675
1987	1,430,448	1,514,239	1,536,786	1,284,771	1,241,889	1,291,720	976,279
1988	1,474,558	1,548,725	1,582,305	1,299,027	1,384,061	1,429,292	993,836
1989	1,732,194	1,781,136	1,615,343	1,367,981	1,420,288	1,614,258	1,108,440
1990	1,868,822	2,051,568	1,703,283	3,228,326	1,534,928	1,608,984	1,237,898
1991	1,983,321	2,114,555	1,773,449	1,602,570	1,819,310	1,615,373	1,319,084
1992	2,280,388	2,143,128	1,905,814	1,666,457	1,920,814	1,665,034	1,389,127
1993	2,497,464	2,251,513	2,044,758	1,815,883	2,036,374	1,767,354	1,509,493
1994	2,567,146	2,636,131	2,186,027	1,950,505	2,167,727	1,929,334	1,544,455
1995	3,306,895	2,489,526	2,355,299	2,006,739	2,319,112	1,965,670	1,698,322
1996	3,783,309	2,540,187	2,424,983	2,130,315	2,569,193	2,210,617	1,825,210
1997	4,315,693	-	-	-	-	-	-
1998	4,036,334	2,684,859	2,723,967	2,517,333	3,071,404	2,614,490	2,307,868
1999	4,367,097	2,846,981	3,266,367	2,611,252	3,473,886	2,904,600	2,279,380
2000	4,685,715	2,977,124	3,675,077	2,873,485	4,110,607	3,467,194	2,357,228
2001	4,683,175	3,199,746	3,378,623	2,942,507	3,951,198	3,380,773	2,960,444
2002	4,554,453	3,211,048	3,119,114	2,717,953	3,573,354	3,007,156	2,735,388
2003	4,603,563	3,248,666	3,095,923	2,721,458	3,374,665	3,035,319	2,712,338
2004	4,574,657	3,267,127	3,134,044	2,825,077	3,293,837	3,079,343	2,933,993
2005	4,067,444	3,519,754	3,596,107	2,928,607	3,844,244	3,311,369	3,086,240
2006	4,000,937	4,057,755	4,081,168	3,333,405	4,377,098	3,605,629	3,956,255
2007	3,548,466	4,287,200	4,522,680	3,659,740	4,765,559	3,806,110	4,724,678
2008	3,679,244	4,748,628	4,713,181	4,149,764	4,860,642	3,721,718	5,129,559
2009	3,742,730	4,670,157	4,136,011	4,115,943	4,888,826	3,366,627	3,833,691
2010	3,593,003	4,685,206	4,000,333	4,283,479	4,304,997	3,208,532	3,830,149
2011	3,313,199	4,860,572	4,197,002	4,917,384	4,624,947	3,333,342	3,516,453
2012	3,067,234	4,898,780	4,383,727	5,664,860	5,136,249	3,524,887	3,828,379
2013	3,304,203	5,292,703	4,996,692	7,561,551	6,317,489	4,045,852	5,305,301
2014	3,554,320	5,449,061	5,338,004	7,585,145	6,733,600	4,324,613	4,891,559
2015	3,524,557	5,717,640	5,805,098	7,711,243	7,732,138	4,495,280	5,284,146
2016	3,479,709	5,585,614	5,972,785	6,925,658	7,779,688	4,460,846	4,475,631
2017	3,393,432	5,399,946	6,080,381	6,640,269	7,872,916	4,422,942	4,393,700
2018	3,443,334	5,287,377	6,229,347	6,578,855	8,200,403	4,417,527	4,930,650
2019	3,528,739	5,395,473	6,356,727	6,639,943	8,029,363	4,505,097	4,743,997
2020	3,593,629	5,506,155	6,602,563	6,895,162	8,052,555	4,475,626	4,859,765
2021	4,007,519	5,750,254	7,844,890	7,589,067	11,525,074	5,001,910	6,089,795
2022	4,849,249	6,572,445	10,677,150	9,008,488	13,497,584	5,803,277	7,954,734
2023	5,140,301	6,739,371	9,953,853	9,435,606	11,040,423	5,660,731	7,234,493

Source: Internal Revenue Service, SOI Tax Stats - Gross Collections by Type of Tax and State - IRS Data Book Table 5, 2000-2023; Internal Revenue Service, SOI Tax Stats Archive - 1863 to 1999 Annual Reports and IRS Data Books, 1939-1999

Appendix 2. Gross IRS Tax Collections by Type of Tax and Number of Individual Returns Filed and Refunds in Puerto Rico, 1939-2023

Year	Individual Income and Other Taxes	Business Income Tax	Total Internal Revenue Collections	Total Internal Revenue Refunds	Individual Income Tax Filings	Business Income Tax Filings
2023	5,049,116	67,231	5,140,301	1,615,770	477,774	3,969
2022	4,776,483	45,567	4,849,249	1,617,708	368,575	2,764
2021	3,979,869	22,477	4,007,519	359,044	228,865	2,958
2020	3,455,052	20,022	3,593,629	344,144	86,863	1,917
2019	3,468,344	10,138	3,528,739	220,199	239,804	1,882
2018	3,309,345	19,383	3,443,334	192,361	225,939	1,796
2017	3,283,745	80,704	3,393,432	262,911	245,530	1,645
2016	3,262,845	80,126	3,479,709	270,677	250,644	1,502
2015	3,314,761	119,404	3,524,557	237,237	249,593	1,351
2014	3,333,976	118,689	3,554,320	254,821	261,182	1,311
2013	3,235,979	66,060	3,304,203	244,063	275,111	1,273
2012	2,958,142	107,880	3,067,234	277,084	285,377	1,251
2011	3,134,536	177,178	3,313,199	657,292	-	-
2010	3,474,401	116,883	3,593,003	1,025,991	-	-
2009	3,558,007	183,108	3,742,730	1,048,879	-	-
2008	3,645,220	32,334	3,679,244	1,740,185	-	-
2007	3,496,382	49,220	3,548,466	387,542	-	-
2006	3,353,119	644,496	4,000,937	408,742	-	-
2005	3,233,826	825,740	4,067,444	409,170	223,562	1,111
2004	3,485,674	1,085,543	4,574,657	425,790	245,563	1,259
2003	3,325,208	1,255,740	4,603,563	409,964	289,938	1,091
2002	3,222,505	1,326,919	4,554,453	350,060	296,845	958
2001	3,293,924	1,379,838	4,683,175	270,577	279,279	992
2000	3,072,099	1,604,374	4,685,715	217,302	229,319	1,111
1999	2,883,493	1,400,138	4,367,097	135,263	133,247	1,115
1998	2,721,271	1,296,798	4,036,334	111,771	133,723	1,213
1997	2,587,023	1,641,263	4,315,693	157,783	133,637	1,164
1996	2,529,474	1,229,373	3,783,310	109,463	125,216	1,161
1995	2,307,778	972,829	3,306,895	72,771	121,199	1,018
1994	2,131,322	410,966	2,567,146	64,937	117,918	961
1993	2,263,728	181,806	2,497,464	71,837	123,139	983
1992	2,173,235	45,756	2,280,388	69,324	117,274	1,058
1991	1,833,990	111,240	1,983,321	59,704	107,398	1,195
1990	1,704,013	133,464	1,868,822	95,610	99,781	1,241
1989	1,567,838	137,941	1,732,194	65,571	98,807	1,120
1988	1,367,211	87,085	1,474,558	68,835	94,135	1,074
1987	1,134,213	107,377	1,430,448	70,304	94,024	987
1986	809,900	69,270	1,085,963	75,823	96,406	831
1985	1,080,282	69,887	1,483,297	61,770	80,520	704
1984	764,434	28,785	1,172,923	56,710	83,477	862
1983	718,660	39,944	1,095,211	64,342	84,243	889
1982	649,916	24,964	924,232	55,503	83,639	956
1981	592,191	20,415	852,561	46,885	84,896	773
1980	493,097	15,776	738,053	30,882	79,229	356
1979	451,108	15,624	682,166	24,101	76,258	348
1978	496,794	3,613	687,277	31,911	75,213	301
1977	139,955	3,267	307,266	29,375	76,926	263
1976	289,960	1,014	431,885	27,781	72,725	414

Continue on next page →

Appendix 2. (Cont.) Gross IRS Tax Collections by Type of Tax and Number of Individual Returns Filed and Refunds in Puerto Rico, 1939-2023

Year	Individual Income and Other Taxes	Business Income Tax	Total Internal Revenue Collections	Total Internal Revenue Refunds	Individual Income Tax Filings	Business Income Tax Filings
1975	289,966	2,377	406,106	24,845	71,464	795
1974	270,711	1,069	386,235	22,680	69,874	517
1973	220,861	657	338,555	19,719	73,194	578
1972	194,569	705	308,809	18,325	73,733	317
1971	176,160	1,694	271,351	15,220	82,450	1,368
1970	194,597	4,415	282,563	13,191	75,026	354
1969	133,336	253	218,622	10,460	75,567	256
1968	127,896	132	199,297	8,650	71,673	232
1967	97,047	62	159,776	7,498	71,438	204
1966	75,644	210	130,310	6,686	71,525	157
1965	66,056	246	114,092	5,630	69,802	180
1964	60,249	127	108,232	5,703	67,241	69
1963	49,672	42	94,677	4,636	69,502	89
1962	41,049	5	77,085	3,720	24,200	62
1961	34,164	21	63,257	3,739	24,249	59
1960	27,814	10	53,139	-	23,536	49
1959	21,898	19	45,365	-	21,906	31
1958	20,010	3	40,934	-	24,521	22
1957	16,717	60	38,229	-	-	-
1956	12,638	10	13,638	-	-	-
1955	12,287	-	12,287	-	-	-
1954	9,571	-	9,571	-	-	-
1953	8,616	-	8,616	-	-	-
1952	7,195	-	7,195	-	-	-
1951	1,502	-	1,502	-	-	-
1950	23	-	23	-	-	-
1949	31	-	31	-	-	-
1948	43	-	43	-	-	-
1947	23	-	23	-	-	-
1946	31	-	31	-	-	-
1945	20	-	20	-	-	-
1944	26	-	26	-	-	-
1943	29	-	29	-	-	-
1942	29	-	29	-	-	-
1941	19	-	19	-	-	-
1940	12	-	12	-	-	-
1939	12	-	12	-	-	-

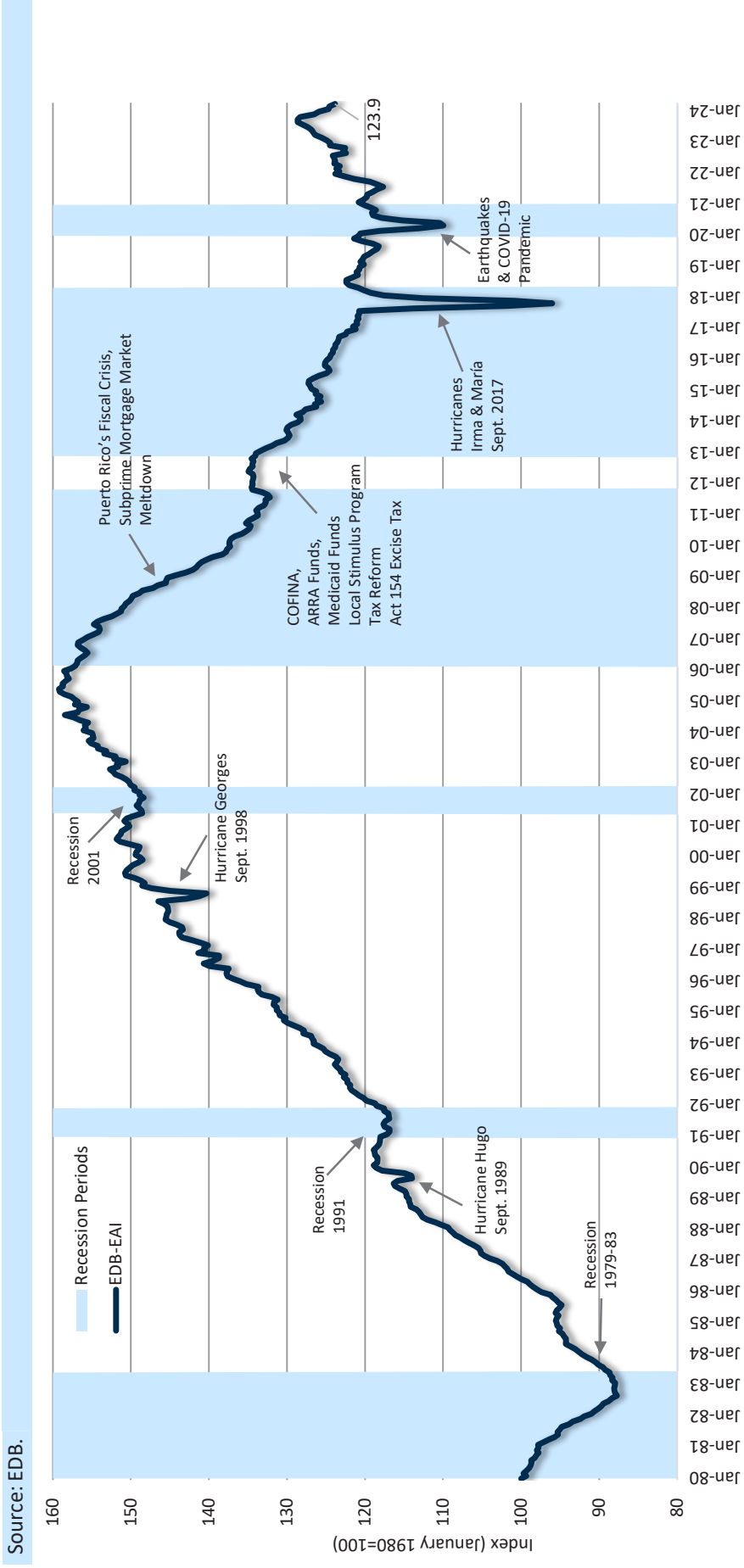
Source: Internal Revenue Service, SOI Tax Stats- Gross Collections by Type of Tax and State -, IRS Data Book Table: 3, 5, and 8, 2000-2023; Internal Revenue Service, SOI Tax Stats Archive – 1863 to 1999 Annual Reports and IRS Data Books, 1939-1999

Appendix 3. Self-Employed Workers in Own (Non-Incorporated) Business, 1990-2022

Year	Self-employed
2022	120,352
2021	112,810
2020	104,111
2019	101,926
2018	98,701
2017	97,702
2016	97,313
2015	98,481
2014	99,544
2013	99,960
2012	99,607
2011	102,243
2010	100,581
2000	69,181
1990	56,785

Source: U.S. Census Bureau. American Community Survey, 5-Year Estimates, Table S2408, 2010-2022; Decennial Census, DEC State Legislative District Demographic Profile, Table DP3, 2000; 1990 Census of Population CP-2-53, Table 14.

Appendix 4. EDB Economic Activity Index Historical Graph from January 1980 to April 2024



The complete series of the EAI concurs with the economic cycles of the Puerto Rico's economy. It starts in January 1980 and exhibits the recession of FY1983 to FY1988, the subsequent recuperation period, the mild recession of FY1991 with its expansion phase, and the recession of 2001. It also shows the downward path of the index since the beginning of the 2006 recession with a recuperation episode in 2012, after which the EAI resumed its descent trend in 2013. The collapse experienced after hurricanes Irma and María struck the island in September 2017, and the subsequent effect of the recovery efforts are also displayed. The last drop corresponds to the January 7th, 2020, earthquakes and its related aftershocks, compounded by the burdens that the COVID-19 global pandemic stresses on the economic activity. Now Puerto Rico's economy is entering a recovery period that is at pre-Hurricane Irma and María levels.

Source: Center of Economic Studies. 2024. The Puerto Rico Economic Activity Index (EDB-EAI). Economic Development Bank for Puerto Rico. <https://www.bde.pr.gov/BDE/PREDDOCS/EDB-EAI.pdf>



ECONOMIC DEVELOPMENT BANK FOR PUERTO RICO

Appendix 5. Estimated Distribution of Federal Receipts and Expenditures by State, FFY 2022 (dollars in millions)

State	Receipts	Expenditures	
Virginia	\$126,953	\$256,164	-\$129,211
Maryland	\$96,173	\$167,783	-\$71,610
Kentucky	\$40,910	\$106,358	-\$65,448
Ohio	\$127,769	\$184,476	-\$56,707
North Carolina	\$120,703	\$173,412	-\$52,709
Alabama	\$46,912	\$97,548	-\$50,636
Texas	\$379,016	\$429,333	-\$50,317
Pennsylvania	\$171,007	\$221,250	-\$50,243
Arizona	\$85,503	\$132,861	-\$47,358
Florida	\$322,136	\$359,124	-\$36,988
Michigan	\$114,343	\$149,993	-\$35,650
Tennessee	\$81,137	\$116,315	-\$35,178
South Carolina	\$54,369	\$89,024	-\$34,655
Oklahoma	\$37,062	\$70,324	-\$33,262
Louisiana	\$43,740	\$76,747	-\$33,007
Missouri	\$67,922	\$99,861	-\$31,939
Georgia	\$126,214	\$158,150	-\$31,936
Puerto Rico	\$4,849	\$33,471	-\$28,622
Mississippi	\$22,071	\$50,207	-\$28,136
New Mexico	\$18,218	\$45,713	-\$27,495
Indiana	\$72,284	\$98,295	-\$26,011
Arkansas	\$29,257	\$49,486	-\$20,229
West Virginia	\$14,062	\$34,166	-\$20,104
Wisconsin	\$71,054	\$86,463	-\$15,409
Oregon	\$54,732	\$67,499	-\$12,767
Hawaii	\$16,840	\$27,764	-\$10,924
Kansas	\$34,664	\$45,172	-\$10,508
Alaska	\$9,599	\$19,888	-\$10,289
Maine	\$15,503	\$25,292	-\$9,789
Iowa	\$35,380	\$43,656	-\$8,276
Illinois	\$185,263	\$191,296	-\$6,033
Idaho	\$22,052	\$28,031	-\$5,979
Montana	\$13,937	\$18,930	-\$4,993
Delaware	\$12,992	\$17,901	-\$4,909
Rhode Island	\$14,646	\$19,261	-\$4,615
Vermont	\$8,024	\$11,612	-\$3,588
South Dakota	\$11,783	\$14,290	-\$2,507
Nebraska	\$25,099	\$27,354	-\$2,255
North Dakota	\$10,520	\$12,683	-\$2,163
Wyoming	\$10,410	\$10,493	-\$83
Nevada	\$45,555	\$44,277	\$1,278
New Hampshire	\$24,269	\$21,403	\$2,866
Utah	\$42,772	\$39,346	\$3,426
Minnesota	\$85,945	\$82,272	\$3,673
Colorado	\$94,109	\$87,902	\$6,207
Connecticut	\$73,835	\$56,120	\$17,715
New York	\$358,361	\$339,003	\$19,358
New Jersey	\$164,831	\$145,466	\$19,365
Washington	\$141,346	\$118,815	\$22,531
Massachusetts	\$144,713	\$114,671	\$30,042
California	\$692,241	\$620,261	\$71,980

Source: Rockerfeller Institute, Table 3: <https://rockinst.org/wp-content/uploads/2024/07/Balance-of-Payments-Federal-2024.pdf>;

IRS SOI Tax Stats IRS Data Book Table 5, 2022; and Planning Board, Economic Report to the Governor and Legislative Assembly, 2024, Table 21:

<https://jp.pr.gov/wp-content/uploads/2024/07/IEG2023-OCE-SA-2024-08598.pdf>

Appendix 6. Estimated Distribution of Federal Receipts and Expenditures by State, FFY 2019

(millions of dollars)			
State	Receipts	Expenditures	Balance of Payments
Virginia	\$89,890	\$201,674	-\$111,784
Kentucky	\$33,477	\$96,706	-\$63,229
Florida	\$215,842	\$266,841	-\$50,999
Maryland	\$66,747	\$116,689	-\$49,942
Ohio	\$99,332	\$141,337	-\$42,005
Pennsylvania	\$128,031	\$169,548	-\$41,517
North Carolina	\$86,690	\$122,127	-\$35,437
Alabama	\$35,759	\$68,791	-\$33,032
Arizona	\$58,031	\$88,938	-\$30,907
South Carolina	\$39,860	\$68,068	-\$28,208
Tennessee	\$57,517	\$85,574	-\$28,057
Georgia	\$89,207	\$114,022	-\$24,815
Michigan	\$89,154	\$113,317	-\$24,163
Missouri	\$52,226	\$75,775	-\$23,549
Louisiana	\$35,315	\$56,394	-\$21,079
Mississippi	\$19,135	\$39,989	-\$20,854
Texas	\$267,237	\$286,751	-\$19,514
Oklahoma	\$30,429	\$48,781	-\$18,352
Indiana	\$55,782	\$72,240	-\$16,458
Puerto Rico	\$3,528	\$19,625	-\$16,097
New Mexico	\$14,912	\$29,966	-\$15,054
Arkansas	\$22,284	\$36,652	-\$14,368
West Virginia	\$11,999	\$25,764	-\$13,765
Oregon	\$38,813	\$50,134	-\$11,321
Hawaii	\$12,853	\$21,512	-\$8,659
Alaska	\$6,930	\$14,351	-\$7,421
Wisconsin	\$54,808	\$61,954	-\$7,146
Idaho	\$13,871	\$20,931	-\$7,060
Maine	\$11,253	\$17,578	-\$6,325
Kansas	\$26,616	\$32,909	-\$6,293
Iowa	\$27,632	\$32,339	-\$4,707
Montana	\$9,618	\$14,130	-\$4,512
Illinois	\$138,100	\$142,430	-\$4,330
Delaware	\$9,037	\$13,208	-\$4,171
Nevada	\$30,030	\$33,779	-\$3,749
Rhode Island	\$10,495	\$13,890	-\$3,395
Vermont	\$6,000	\$8,486	-\$2,486
New Hampshire	\$15,488	\$17,341	-\$1,853
South Dakota	\$8,668	\$10,469	-\$1,801
Wyoming	\$6,419	\$8,037	-\$1,618
North Dakota	\$7,744	\$8,969	-\$1,225
Nebraska	\$18,936	\$19,705	-\$769
Washington	\$88,082	\$88,424	-\$342
Utah	\$26,694	\$26,277	\$417
Colorado	\$62,030	\$60,655	\$1,375
Minnesota	\$60,116	\$58,220	\$1,896
Connecticut	\$52,000	\$46,246	\$5,754
California	\$459,794	\$453,141	\$6,653
Massachusetts	\$97,003	\$87,084	\$9,919
New Jersey	\$115,623	\$105,289	\$10,334
New York	\$259,573	\$236,775	\$22,798

Source: Rockefeller Institute of Government analysis of data from the Budget of the U.S. Government Fiscal Year 2021,

Table 3: <https://rockinst.org/wp-content/uploads/2021/01/2021-Balance-of-Payments-Report-web.pdf>;

IRS SOI Tax Stats IRS Data Book Table 5, 2022; and Planning Board, Economic Report to the Governor and Legislative Assembly, 2024, Table 21:

<https://jp.pr.gov/wp-content/uploads/2024/07/IEG2023-OCE-SA-2024-08598.pdf>

CHECK OUT OUR PREVIOUS REPORTS

Puerto Rico's 2020 Race/Ethnicity Decennial Analysis (July 2022)

In this report, we provide an overview of the population changes and dramatic shift in racial self-identification in Puerto Rico revealed from the 2020 decennial census. The 2020 Decennial Census unveiled a stark demographic reality for Puerto Rico that has been unfolding in the past decade. According to the 2020 Decennial Census, there were about 3.29 million people living in Puerto Rico, a notable decline of 439,915 individuals from 2010 (-11.8%). In comparison, the United States population grew by 7.4% between 2010 and 2020. In terms of race, the 2020 decennial census has shown a dramatic shift from how Puerto Ricans identify themselves now from 10 years ago. Most of the total population in Puerto Rico identified as 'White and Some Other Race' (38.5%) followed by 'Some Other Race alone' (25.5%) in 2020 compared to a majority of the total population identifying as 'White alone' in both 2000 (80.5%) and 2010 (75.8%).

Redistricting NYC Demographic Change and The Hispanic Community (September 2022)

In this report, we provide a portrait of demographic changes in New York City between 2010 and 2020, examining overall population dynamics as well as looking more closely at the ethnoracial composition of the city and its constituent boroughs and council districts. We rely on decennial census data for 2010 and 2020 provided by the U.S. Census Bureau in their Redistricting Files. We also examine changes in the distribution of language use, particularly among New Yorkers who do not speak English well or at all since this may be an impediment to their effective participation in the political process, including registering to vote and voting. Furthermore, we provide information on the geographical distribution of income as this is another important variable for participation in the political process. We also analyze the demographic changes of the different national origin groups that make up the Hispanic population in New York City; a population of particular interest for us. These additional analyses are produced from survey data also derived from the U.S. Census Bureau (i.e., the American Community Survey). We conclude by assessing the council districts preliminarily drawn by the New York City Districting Commission in light of the ensuing descriptive analyses.

Redistricting 2020: The Prospects of Increasing Hispanic Legislative Representation in Florida (November 2021)

Hispanics are driving population growth across the United States. This lead in population growth affords Latinos the opportunity to increase their political power by potentially increasing the number of legislative districts that can be represented by them. This report provides an overview of population changes in the state of Florida, showing how Hispanic population growth outpaces that of other groups in the state and across counties. The addition of one congressional seat to the state's delegation improves the chances of increasing Hispanic congressional representation in Central Florida as well as in county legislatures (i.e., boards of commissioners) across the state. Puerto Ricans are a leading group driving this population growth, especially as they continue to settle in Central Florida counties.

Scan the QR Code to visit our Reports Page



Produced by

CARLOS VARGAS-RAMOS,
JAVIER MÉNDEZ LACOMBA AND
JORGE SOLDEVILA-IRIZARRY

DECEMBER 2024

**CEN
TRO**

HUNTER

The City University of New York

