

Puerto Rico's Political Status, Fact Sheet

The status of Puerto Rico is important to the economic system and by implication to migratory flows. The three political options are:

1. Commonwealth: the current status.

- Puerto Ricans maintain citizenship, can travel freely to other states and could be drafted into the U.S. military.
- Puerto Ricans living in Puerto Rico cannot vote for the president of the United States and have no elected representatives in Congress.
- The United States regulates Puerto Rico's foreign affairs, controls the use of the Puerto Rican National Guard, and postal and immigration regulations.
- No federal income tax, and receive some transfers, but pay social security.

2. Statehood: Puerto Rico would become a state of the United States.

- Puerto Ricans would continue to be U.S. citizens and would pay all federal taxes.
- People living in the state of Puerto Rico would vote for the President and Congress.
- Puerto Rico would have voting representatives in both houses of the U.S. Congress.
- Only the U.S. flag and national anthem would be honored; English would be adopted as official language.

3. Independence: Puerto Rico would become a sovereign nation.

- Those born after independence are likely to lose U.S. citizenship, and be subject to the immigration laws of both countries.
- Puerto Rico would have its own constitution with control over domestic and foreign affairs, including trading with other countries with no maritime restrictions from the United States.
- The Puerto Rican National Guard, and postal and immigration regulations would be controlled by the new government.
- Puerto Rico would have its own currency and military defense.

Several plebiscites attempted to "solve" the status issue:

- 1967: Local, 60.4% for the commonwealth option won the majority vote
- 1993: Congress played a more substantial role, the commonwealth status managed to win a at 48.6% plurality, though not a majority.
- 1998: local, "none of the above" option received 50.3% and the statehood option received 46.7%.

Bills in U.S. Congress:

- 1997 --The United States-Puerto Rico Political Status Act (H.R. 856) passed in the House in 1998, but not in the Senate.
- 2007--The Puerto Rico Democracy Act of (H.R. 900) a successor of H.R 856 never had enough votes to carry a debate.

- 2009--The Puerto Rico Democracy Act (H.R. 2499) passed by the House with bi-partisan support.

Federal Tax Exemption as Economic Development

- 1921—**Section 262** (re-numbered as **Section 931**): Exempted from U.S. taxation all corporations that received at least 80% of their income from U.S. possessions; income was taxable on repatriation but liquidated distributions were tax free.
- 1976— **Section 936** converts federal tax exemption to a foreign tax credit.
- 1947-- Puerto Rico's **Industrial Incentive Act** is enacted granting tax exemption to U.S. corporations. **Operation Bootstrap** consisted of a plan to transform the island of Puerto Rico from an agricultural society to an industrial one. In addition to local and federal tax exemption, it's main components were: Labor-intensive manufacturing; Migration and population control; and, Tourism.
- 1996 –Congress enacts a 10-year phase-out of Sec. 936 tax credit; the program ended completely on December 31, 2005.

The President's Task Force on Puerto Rico's Status

- On November 30, 1992 President George H. W. Bush directs all Federal departments, agencies, and officials to treat Puerto Rico administratively as if it were a State.
- On December 23, 2000, President William J. Clinton signed executive Order 13183, which established the President's Task Force on Puerto Rico's Status. This executive Order mandates identifying the options for Puerto Rico's future status and the process for realizing an option.
- President George W. Bush established co-chairs and instructed the Task Force to issue reports as needed, but no less than once every two years. The Task Force has issued reports in 2005, 2007 and most recently in March of 2011.

The most recent Report by The President's Task Force on Puerto Rico's Status Proposes a system involving two plebiscites to be completed by the end of 2012 or soon thereafter:

- First, Puerto Ricans will vote on the question of whether to be part of the United States or independent, and
- Second, to choose between the available status options, as limited by the outcome of the first vote.

Economic Recommendations:

- Building capacity to use Federal grants in Puerto Rico;
- Increasing coordination and a "one-stop shop" interagency technical assistance of Federal agencies to increase grants to the Island.
- Building Competitive Industries that could potentially drive long-term growth and job creation:
 - Renewable Energy and Energy Efficiency;
 - Tourism and gateway to the Caribbean and Latin America;
 - Puerto Rico as a health services and research hub for the Caribbean.