

## PROMESA Congressional Task Force Recommendations

### Federal Programs for Economic Development in Puerto Rico

#### **A Proposal to Turn Puerto Rico into a Special Immigration Zone as a way to Restart Growth on the Island by Importing Hundreds of Thousands of Wealth, Job, and Tax Generating Investors, Entrepreneurs, and Highly Skilled Workers from Around the World**

##### Background and Opportunity

Puerto Rico is a unique jurisdiction under the US Flag. It is fundamentally different from all other U.S. territories in several key respects, the most important being the following, which are interrelated:

- **Large Population with Room to Grow:** The U.S. citizens residing in Puerto Rico represent over 90% of the population in all U.S. territories. The population of PR is currently between 3.4 and 3.5 million, after more than a decade of decline, down approximately 10% since 2000. PR is one of the only jurisdictions under the U.S. flag that has lost population in the last 15 years. Nonetheless, it is the *only* U.S. territory that is large enough both geographically and demographically to develop an economy that offers the critical mass of educated human and physical capital to be regionally or globally relevant in multiple industries in addition to tourism.
- **Highly Developed Infrastructure:** Due to decades of investment in high quality construction, Puerto Rico has commercial, residential, industrial and transportation infrastructure assets that put it ahead of nearly all developing nations and on par with some developed ones. The infrastructure investments were mostly made during a time of growth and there are many idle investments that can and need to be re-used to support population, commercial and tax-base growth.
- **Strategic Connection to Latin America and Caribbean:** As the only English/Spanish bi-lingual U.S. territory, PR is strategically positioned to help the United States continue connecting economically and diplomatically with the countries of the region. However, Puerto Rico's location and political status make it compatible with special programs to be developed that may not be compatible with being physically contiguous to the rest of the States (e.g. South Florida/Mexican border areas).

The United States, on the other hand, is living a major immigration challenge, in the sense that the country is not prepared to accept all the immigrants who want to come to America due to political, regulatory, cultural and other challenges. Every year thousands upon thousands of the world's best and brightest are being turned away from America's shores because there is not enough room for them under current programs. There are also currently many productive immigrants already within the United States for whom it would be in the United States' best short and long term interests to find a way to create a legal path to citizenship that requires them to leave the 50 States/DC for a defined period of time. Puerto Rico creates a special and we would argue, unique, opportunity to be a vehicle for integrating new, productive talent from the region and the world into the United States while re-populating an island in desperate needs of new workers, new investors, new energy and growth.

## Recommendation

Congress should explore enacting one more special programs or sub-programs under U.S. immigration law that will result in the flow of hundreds of thousands of productive and financial, physical and intellectual capital generating immigrants to Puerto Rico during the next five years, and potentially indefinitely. Below are some potential avenues to consider:

- H1-B/EB1-/EB-2/EB-3(Skilled/Professional only): There could be special sub-program or modification of these programs that would create a special allotment (suggest at least 50,000 per year, although we do not believe there needs to be a cap if there are qualified candidates) of additional employment based visas available only to applicants who will be residents of Puerto Rico. U.S. companies, whether based in Puerto Rico or not, will then be further incentivized to create new jobs and business operations/offices in Puerto Rico. Currently demand for employment based visas often exceeds supply and a PR program could be a win-win for many constituencies.
- EB-5PR: Modeled after the current EB-5 immigrant investor program, a special program should be created for Puerto Rico with lower investment thresholds (or different criteria altogether) to attract at least 10,000 new immigrant investors to Puerto Rico per year. The minimum job creation requirement should be 5 per immigrant investor and there should be flexibility for different kinds of thresholds that will generate different kinds of capital.
- New Category of Visa for Highly Skilled Immigrants Already in the U.S.: There are by some estimates over ten million immigrants inside the United States who are seeking permanent legal residence. There is likely a subset of these immigrants who are highly educated, productive, and self-sufficient. The United States and Puerto Rico's best interests would be well served by creating a process through which these immigrants could be vetted and start down a long term path to legal residency or citizenship that would start by contributing to Puerto Rico's economic turnaround.

For all these programs, we recommend to consider the following to ensure the most positive fiscal and economic impact:

- All these programs should be budget neutral for the federal government and should generate significant tax revenues to the Puerto Rico. The administrative and operational costs of each of the programs should be financed fully by fees paid for by the applicants or their sponsoring companies.
- The new visa holders would have to spend a minimum number of five (5) years as residents of Puerto Rico before being eligible to apply (potentially on a preferred basis) for an immigration status that would allow the visa holder to move their residence to the contiguous U.S.
- Any new federal offices or infrastructure to process and vet applications should be based in Puerto Rico and should predominantly employ Puerto Rico residents and use Puerto Rico based companies as contractors.
- Puerto Rico leaders from the business, government and non-profit sectors should be included in the process of designing the program, selecting the applicants, and monitoring the results of the program.
- Immigrants should generally not be eligible for government assistance of any kind.

- Where feasible, immigrants should be required to pre-pay a minimum income tax to the PR Treasury, which will be credited against any income that they generate in the coming year. This will ensure a minimum tax collection that will go towards PR's budget obligations.

#### Benefits and Impact on Growth

- If we assume that the average immigrant will pay at least \$10,000 per year in net new taxes to the PR treasury, and we assume 50,000 new taxpayers per year, this would represent a \$500 million annual increase in tax revenues, which could grow in subsequent years assuming net growth in the program (by year 5 revenues could exceed \$2.5 billion per year) – this would help offset the tax revenue declines currently being faced and projected
- In addition to the direct benefit of the income tax revenue generated from these new residents of Puerto Rico, there would be material positive indirect impacts on the real estate market, the local consumption of goods and services, and corresponding sales and use taxes. Air travel routes between Puerto Rico and various new cities in Latin America and the continental U.S. would likely be needed to support the personal and business travel associated with the new immigrants.
- Depending on how the new set of immigration programs are designed and promoted, they could be used to promote the growth in exporting of services from Puerto Rico to the continental U.S. and around the globe.

#### Challenges/Objections and Counter-Arguments/Mitigating Factors to Consider

- How would these immigrants be prevented from permanently re-locating to the 50 States/DC in violation of their visa terms? Puerto Rico is an island 1,000 miles from the U.S. mainland. The federal government should evaluate for each new class of visa whether travel to the contiguous U.S. will be allowed without first obtaining another visa. Creating enhanced immigration controls at Puerto Rico's main airport(s) (while still **not** requiring a passport to U.S. residents and non-immigrant residents of PR) is not an insurmountable challenge and there are many ways local authorities working with the TSA and other federal agencies could address this opportunity. If it is determined that it would be acceptable for these visa holders to travel freely for business or leisure across the U.S., then it should be determined how a special tracking system would be created to prevent these immigrants from living in working in the 50 States/DC. This program could be an early model for an improved tracking system for all immigrants given the current challenges faced by immigration authorities.
- Why should Puerto Rico be entitled to these special programs? Puerto Rico is by far the poorest and most economically and fiscally challenged jurisdiction under the U.S flag. It is also in dire need of population growth. Unlike offshoring and tax inversions, moving jobs and investment to Puerto Rico is bringing wealth to a part of the United States that needs it most. Puerto Rico could once again be a case study for the United States' being a beacon of opportunity for those hard working and highly skilled people from around the region and the world who want to bring their intellectual and other assets to America—the quintessential American Dream. There are no subsidies or special tax incentives/treatments being requested with this proposal.
- Why should we reward people who potentially have broken immigration law (third recommendation)? What we have proposed is a careful compromise that allows the U.S. to retain the productivity of the best and the brightest while requiring immigrants to “pay their dues” by contributing to Puerto Rico's economic recovery and without creating the kind of amnesty that would incentivize or reward future undocumented immigration.