



GOVERNMENT OF PUERTO RICO

LUIS G. FORTUÑO
GOVERNOR

January 17, 2012

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

I am very grateful that your Administration has included Puerto Rico in its proposals to stimulate the U.S. economy during these difficult economic times. Most recently, it incorporated language to provide employers in Puerto Rico with the same tax credits for hiring veterans that it proposed for employers in the States and the District of Columbia, in what became the Hire Heroes Act.

The Administration's actions in that case and others represent a clear recognition that Puerto Rico's economic needs should be taken into account in national economic initiatives, and that jobs in Puerto Rico are American jobs.

You recently stated that you will soon propose new tax incentives to reward companies that invest in or bring jobs back to the U.S. and eliminate tax advantages for companies that move jobs overseas. Because of the distinct treatment of Puerto Rico in the Internal Revenue Code, special provisions will likely be needed in these proposals to ensure the territory is treated as part of the Nation.

Puerto Rico is still recovering from a recession that began two years earlier and was far deeper than the national recession. Job creation remains a high priority.

In furtherance of this priority, I also request your Administration's support of H.R. 3020 the Puerto Rico Investment Promotion Act introduced by Resident Commissioner Pedro Pierluisi to provide an incentive for investment in Puerto Rico that the territory -- and, thus, America -- could otherwise lose to foreign

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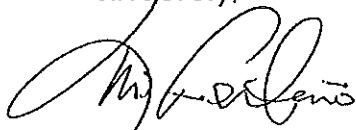
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countries. The proposal would amend the Internal Revenue Code by inserting a new section, 933A, which would allow companies organized in Puerto Rico to elect to be taxed as U.S. corporations under rules similar to those that apply to individual residents of the territory. Under these rules, individuals are taxed in the same manner as residents of the States and D.C. on their worldwide income except for local source income.

My administration stands ready to work with yours to develop the provisions necessary to ensure that your insourcing initiatives include Puerto Rico and benefit the Island to the extent that they benefit the rest of America. We are also ready to work with your staff on Resident Commissioner Pierluisi's bill. The precedent you have set by including Puerto Rico in your economic initiatives is commendable and I look forward to working with you to expand on that precedent in the coming months.

Sincerely,



Luis G. Fortuño