

**Congress of the United States**  
**Washington, DC 20515**

February 12, 2010

The Honorable Harry Reid  
Senate Majority Leader  
S-221, the Capitol  
Washington, DC 20510

The Honorable Max Baucus  
Chairman  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Charles E. Grassley  
Ranking Member  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Leader Reid, Chairman Baucus, and Ranking Member Grassley:

As the representatives of the nearly 4.4 million Americans living in the five U.S. territories, where unemployment rates are among the highest in the nation, we strongly support legislation intended to spur job creation. The centerpiece of the draft Hiring Incentives to Restore Employment (HIRE) Act are two tax provisions designed to encourage employers to hire and retain new workers. The first provision (Section 101) would exempt employers from social security payroll taxes for every new worker hired in 2010 that was unemployed for at least 60 days. The second provision (Section 102), which would work in conjunction with Section 101, would enable an employer to take a \$1,000 income tax credit, to be claimed on its 2011 return, for every new employee the employer hires in 2010 and retains for at least 52 weeks.

We write to respectfully request that Section 102 be modified to take into account the tax systems in the territories and, therefore, to fully and fairly benefit our constituents, who—like their counterparts in the states—want nothing more than the opportunity to work.

As currently drafted, the \$1,000 credit authorized by Section 102 applies against federal income taxes paid by employers, rather than against the employer-paid portion of federal payroll taxes. We understand that there were proposals to provide this credit through a rebate of employer-paid payroll taxes, but that it was believed a credit in this form would be difficult to administer. The upshot of that decision is that this credit will be of limited benefit in the territories, whether that territory is a mirror code or non-mirror code jurisdiction.

In Puerto Rico, for example, which is a non-mirror code jurisdiction, the credit in its current form can be claimed by relatively few employers. It will not incentivize hiring on the part of tens of thousands of small and medium-sized companies chartered in Puerto Rico that are not generally subject to U.S. corporate income tax.

In the mirror-code jurisdictions, where federal tax rules and rates apply, the territorial governments must offer the \$1,000 corporate tax credit through their local tax systems, but will not be held harmless by the federal treasury for the revenue they will lose as a result.

In the case of all the territories, we believe the fair solution is essentially the same as the one crafted for the territories in connection with the Making Work Pay tax credit established by the American Recovery and Reinvestment Act. Drawing on that recent precedent, we respectfully ask that you amend Section 102 so that it provides for the territorial governments to offer the credit through their local tax systems, and to be reimbursed by the federal government in an amount equal to the loss in revenue caused to each territory by virtue of the credit.

We thank you for your attention to this important issue, and hope we can work together to ensure that Section 102 provides a real benefit to American employers and employees in the U.S. territories.

Sincerely,

Pedro R. Pierluisi  
Member of Congress

Madeleine Z. Bordallo  
Member of Congress

Eni F.H. Faleomavaega  
Member of Congress

Donna M. Christensen  
Member of Congress

Gregorio Kilili Camacho Sablan  
Member of Congress

- cc: The Honorable Jeff Bingaman, Senate Finance Committee  
The Honorable Robert Menendez, Senate Finance Committee  
The Honorable Charles E. Schumer, Senate Finance Committee  
The Honorable Nancy Pelosi, Speaker, House of Representatives  
The Honorable Steny H. Hoyer, Majority Leader, House of Representatives  
The Honorable Charles B. Rangel, Chairman, House Committee on Ways and Means