

118TH CONGRESS
2D SESSION

H. RES. 1553

Expressing the sense that the House of Representatives must take responsible and timely action to address the Federal tax loophole that allows Act 22 decree holders to legally evade Federal taxes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 25, 2024

Mrs. RAMIREZ (for herself, Ms. VELÁZQUEZ, Ms. OCASIO-CORTEZ, Ms. BUSH, Mr. KHANNA, Mr. GRIJALVA, Mr. GOLDMAN of New York, Mr. ESPAILLAT, Ms. TLAIB, Ms. LEE of California, Mr. MCGOVERN, and Mr. GARCÍA of Illinois) submitted the following resolution; which was referred to the Committee on Ways and Means

RESOLUTION

Expressing the sense that the House of Representatives must take responsible and timely action to address the Federal tax loophole that allows Act 22 decree holders to legally evade Federal taxes.

Whereas Puerto Rico is currently facing a crisis of displacement, tax evasion, and a lack of housing affordability, exacerbated by wealthy Americans gentrifying the island;

Whereas the population of Puerto Rico decreased by 11.8 percent from 2010 to 2020, during which time wealthy Americans relocated to the island to take advantage of tax breaks, fueling displacement;

Whereas the influx of wealthy Americans seeking tax breaks has oversaturated the housing market, driving up housing prices and reducing availability for long-term residents, as evidenced by the fact that the average 2-bedroom condo could be listed for \$130,000 more in 2022 than in 2017;

Whereas gentrification, defined as a demographic and economic shift that displaces established working-class communities and communities of color in favor of wealthier newcomers and real estate development companies, is occurring on the island;

Whereas American tax evaders, including but not limited to investors, are contributing to the displacement of Puerto Ricans, and worsening the shortage of housing inventory on the island;

Whereas Act 22 and Federal tax loopholes have made Puerto Rico the only place where a wealthy American with no ties to the island can move and evade paying Federal taxes;

Whereas Act 22 provisions, part of the broader “Puerto Rico Incentives Code”, allow individuals who did not reside in Puerto Rico between 2006 and 2012 to request a variety of exemptions from the territorial government, including—

(1) a 100 percent exemption from income tax on all income, dividends, and interest; and

(2) a 100 percent exemption from income and capital gains taxes;

Whereas the requirements for an individual to qualify for Act 22 are minimal, including—

(1) not residing in Puerto Rico during the period from 2006 to 2012;

(2) residing in Puerto Rico for at least 6 months before requesting a decree;

(3) not having a tax domicile outside of Puerto Rico;

(4) buying a house in Puerto Rico within 2 years of obtaining a decree; and

(5) making an annual \$10,000 contribution to 1 or more local nonprofit organizations;

Whereas Act 22 does not require wealthy individuals to invest in the Puerto Rican economy, resulting in no positive outcome for Puerto Rican residents and merely enabling wealthy Americans to evade taxes;

Whereas there have been instances of Act 22 beneficiaries creating their own nonprofit organizations to direct their annual \$10,000 contribution, demonstrating dubious behavior and apathy towards the Puerto Rican people;

Whereas Americans seeking a tax shelter in Puerto Rico contributed to a 600-percent increase in rent prices from July 2022 to September 2023, are privatizing lands that belong to the people, and are furthering the second-largest migration the island has seen;

Whereas it seems that the number of Stateside residents moving to Puerto Rico to receive Act 22 benefits have grown significantly, with total beneficiaries increasing from 3,146 in late 2020, to 5,010 in early 2023, a nearly 60-percent increase;

Whereas Puerto Rico and its people should be empowered to exercise their right to self-determination, including the authority to create policies that protect and preserve their culture and the island itself; and

Whereas Puerto Rico and the Puerto Rican community deserve accessible housing, an economy that works for them, and oversight of their own affairs, without tax incentives working against the prosperity of the island and its people: Now, therefore, be it

1 *Resolved*, That the House of Representatives shall act
2 swiftly to minimize the revenue losses to the Federal,
3 State, and territorial governments, and the illicit use of
4 the parallel Federal and Puerto Rico tax regimes to avoid
5 United States taxation.

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