

# Why Statehood?

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## Why Is The December 13<sup>th</sup> Referendum Important?

1. **Congress needs to know what Puerto Rico thinks.** Americans strongly support self-determination, and want to respect the will of the Puerto Rican people. The Congress and people of the United States need to know that Puerto Rico wants to become a state.
2. **Forget party politics—decide what's best for Puerto Rico.** The referendum is a vote for the future, not for the politicians or values of the PNP, PDP, or PIP. Make a decision based on your values, not party politics.

## Full Political Representation

3. **Fairness.** Every other U.S. citizen has a representative in Washington. Bernie Williams can win the American League batting championship, but he cannot vote. Is that fair?
4. **Political power.** Right now Congress can do whatever it wants, and Puerto Rico has no say. With statehood, Puerto Rico will have six representatives and two senators in Washington. That would give Puerto Rico similar political power to South Carolina and Colorado.

## Equal Treatment for Federal Benefits

(See Appendix #4: Federal Benefits)

5. **Statehood means equal treatment for federal programs.** Many programs do not apply to Puerto Rico, or receive less funding than in the 50 States. With statehood, Puerto Rico would get the same benefits as any other state. Currently \$1.4 billion would be available for *children, health, crime protection, income support, and other programs.*

## **Why Statehood?**

### **Puerto Rico is Welcome**

6. **The vast majority of Americans would welcome Puerto Rico if it voted to join the Union.** The people of America have great respect and admiration for the people of Puerto Rico—particularly the thousands who have fought and died for the United States. Americans believe in democracy, and believe that it is wrong to keep a colony. The American people appreciate Puerto Rico paying its own way, and having taxation with representation.
7. **Would other states lose seats in Congress?** Some states feared they would lose representation if Puerto Ricans gained it. Constitutionally, the House of Representatives can be increased, so that Puerto Rico could add six Representatives and two Senators, and no state would lose seats.

### **A Better Climate for Investment**

(See Appendix #2: Investment)

8. **Most investors—including those in the U.S.—are confused about Puerto Rico.** Is it a foreign country or part of the U.S.? Investors now feel uncertainty about investing in Puerto Rico. Lack of permanence turns off investors. Under commonwealth investors compare the opportunity of Puerto Rico to the Dominican Republic or Chile, or even Ireland or Singapore. Under statehood Puerto Rico would be compared to Connecticut, Montana, New Mexico, Mississippi and North Carolina. In this era of globalization and NAFTA, which sounds better?

### **A Better Economy—The Hawaii Experience**

(See Appendices #1 and #3: The Economy, and Alaska and Hawaii)

9. **What about Hawaii?** Hawaii, after statehood, did much better (as did Alaska). Its economy grew almost twice as fast at 7% per year. Its tourism business went up an astounding 15% each year for fifteen years after becoming a state. In fact, Puerto Rico's tourist industry is about the same size as Hawaii's was before it became a state.

### **A Higher Income**

10. **The benefits of statehood in real dollars.** Being a territory has Puerto Rico's economy in a rut. If Puerto Rico had become a state in 1994, the average Puerto Rican would be earning \$1,300 more by the year 2000. Had Puerto Rico become a state in 1955, today Puerto Ricans would be earning at least \$6,000 more a year, and be more than \$100,000 better off.

## **Why Statehood?**

### **Protecting Puerto Rico's Language and Culture**

(See Appendix #7: Culture and Language)

11. **Culture and language are important.** Is there any reason for statehood to intrude on Puerto Rico's culture? Are Latinos on the mainland complaining about losing their culture? Are the recent immigrants from Vietnam complaining? In fact, with statehood Puerto Ricans would have a voice in Washington to protect their culture.
12. **Spanish and English could continue as the official state languages.** Puerto Rico would have that right as a state under the 10<sup>th</sup> Amendment of the U.S. Constitution, a right it doesn't have now. Legal experts agree that Congress could **not** legally impose English language requirements on the States, although it could now impose them on the Commonwealth of Puerto Rico, and its schools and government.

### **Safeguarding U.S. Citizenship**

(See Appendix #8: U.S. Citizenship in Today's Puerto Rico)

13. **Citizenship is not a sure thing.** As long as Puerto Rico remains a commonwealth, U.S. citizenship in Puerto Rico is in jeopardy. Congress could decide to end U.S. citizenship and declare independence as Puerto Rico's final status. That is a distant but real possibility, and totally in the hands of Congress.
14. **Congress (and legal experts) have rejected commonwealth status as a permanent solution.** Just the same way Congress can increase and decrease welfare benefits and Medicaid, it can also end the current territorial union, and thereby change the citizenship rights of all Puerto Ricans and stop the conferral of U.S. citizenship at birth in Puerto Rico. In California even legal immigrants are facing problems. (See Appendix #2 on commonwealth status for more information).
15. **Only statehood can guarantee permanent U.S. citizenship.** Citizenship is now provided by U.S. law (8 U.S.C. 1402) which Congress can alter. U.S. citizenship under the Constitution cannot be altered by any law passed by Congress. In legal terms, Puerto Rico is an "unincorporated territory," and subject to the full power of Congress under the Territorial Clause of the Constitution. That means that a future Congress could decide to restrict or end U.S. citizenship in Puerto Rico.

### **The Myth of Puerto Rico's Economic Miracle**

16. **Why does Puerto Rico have the reputation for economic success?** Puerto Rico's economy did well for 20 years after World War II. That respectable economic performance stopped in 1972. Since then, the economy has stagnated. Why have so many Puerto Ricans moved to New York and Florida.
17. **Why did the economic performance seem so good?** It looked so good because Puerto Rico was compared to the Dominican Republic and other Latin American countries, and not to Mississippi, South Carolina, or Connecticut.

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18. **Living standards haven't caught up.** Since 1972, Puerto Ricans have been stuck earning a third as much as U.S. citizens on the mainland. Unless this pattern changes, Puerto Rico will never catch up.

## **Section 936 Is Dead, And What Happened To The Economy**

19. **People said commonwealth status was needed to preserve 936, or the economy would go down the drain.** Congress got rid of 936 two years ago, and what happened? Things are pretty much as they were—in fact, a little better. Unemployment has fallen from 17% to 13%.

## **The Myth of Immunity from Federal Taxes**

20. **Puerto Rico could pay federal income taxes now under commonwealth.** Congress could act now to impose the federal income tax. Congress has requested a study are already talking about this. Ads on the mainland are running, "Why Should Puerto Rico Have a Free Ride?" U.S. citizens on the mainland are getting tired of providing benefits to the U.S. citizens in Puerto Rico. Mainland citizens pay taxes, why shouldn't citizens in Puerto Rico?
21. **Federal tax is nothing new anyway.** Puerto Ricans pay Social Security, Medicare and unemployment insurance already. They're all federal taxes. Congress now has full legal authority to impose all federal taxes in Puerto Rico, in fact, to do whatever it likes without Puerto Rico's consent or participation. When Congress got rid of section 936 two years ago, it never checked with Puerto Rico.

## **Two-Thirds Of Families In Puerto Rico Would Pay No Federal Income Tax**

(See Appendix #5: Federal Taxes)

22. **Federal Taxes and the Earned Income Tax Credit.** Most Puerto Ricans wouldn't pay any federal income tax. In fact, more than half of all taxpayers would actually receive a check from the government through the earned income tax credit. For example, a family of four making \$10,000 would pay no federal income taxes, and receive a direct refund of \$3,656.
23. **Statehood would not mean higher combined taxes.** Most Puerto Ricans won't pay any federal income tax, and will actually get a check from the government. Current commonwealth taxes are more than double the average state tax. There is considerable room for cutting taxes while improving services. Statehood would bring more federal funds and cooperation to help compensate for needed reductions in commonwealth taxes.

## **The Cost of Commonwealth to the Federal Government**

24. **Puerto Rico costs the U.S. over \$8 billion every year** (not counting earned benefits like Social Security, Medicare, and programs for veterans). That's more than all the

## **Why Statehood?**

Pell grants that the U.S. gives to college students nationwide. Meanwhile, the people and businesses of Puerto Rico pay no federal income taxes. Since 1952, the Commonwealth has cost the federal government over \$150 billion (in today's dollars). How much longer will Congress bankroll a territory that's not interested in joining the Union?

25. **Statehood would save the U.S. Treasury over \$2 billion a year.** Through faster growth and tax revenues, the federal government would save money over the current status, even after fully funding federal programs for U.S. citizens in Puerto Rico.

## **Becoming A State**

26. **What are the steps to statehood?** If Puerto Ricans vote for statehood in December, the government will petition Congress, which must vote to accept any new states. The admission of a new state requires the passage of an admission law voted for by a simple majority (more than half) of both Houses of Congress, and approved by the President. Over the past 200 years, Congress has acted 37 times to accept 37 new states. In fact, Congress has never voted to reject or deny any territory that petitioned Congress to become a state.

## **Puerto Rico: The Political Crystal Ball**

27. **Democrats or Republicans?** When Alaska became a state, they thought it would be Democratic, and it turned out Republican. For Hawaii, it was the other way around. Typically, poorer people and minorities have tended to vote for the Democratic Party. However, if we take a profile of the Puerto Rican people in terms of their family values, pro-life beliefs, and support for school prayer, they come out very Republican. In other words, one cannot predict politics, particularly ten or twelve years into the future.

## **The Transition to Statehood**

28. **What about the transition period to statehood?** There would be a transition period between Congress' acceptance of the referendum results and statehood, although its length is uncertain. (5 to 10 years is likely) However, the transition would present opportunities for investors, since they would know that Puerto Rico would become a state. On the other hand, the transition period would allow benefits and taxes to be phased in gradually.

# **Appendices**

- #1: The Economy**
- #2: Investment**
- #3: Alaska and Hawaii**
- #4: Federal Benefits**
- #5: Federal Taxes**
- #6: Commonwealth Status**
- #7: Culture and Language**
- #8: U.S. Citizenship in Today's Puerto Rico**

## Why Statehood?

### Appendix #1: The Economy

The uncertain "half-in, half-out" commonwealth status is blocking the island from realizing its potential. Statehood would create a stable investment environment and create better economic opportunity. Globalization is here, and NAFTA is a reality. Investors now compare Puerto Rico with the Dominican Republic, Costa Rica, or even Singapore. With statehood, Puerto Rico would be compared to Mississippi, South Carolina, or Connecticut.

Slow growth under commonwealth has cost U.S. citizens in Puerto Rico dearly. If Puerto Rico had become a state in 1955, every Puerto Rican would now be earning \$6,000 more each year. That's over \$100,000 over time.

- **Statehood would create a stable environment for effective economic policies.** Political institutions form the environment in which the resources of an economy are developed to create goods and services. Political institutions can encourage and impede growth. Statehood would create an environment supportive of effective economic and fiscal policies that generate higher incomes and faster growth. Statehood would also provide stability and permanence that is lacking under commonwealth. The strong economic performance of the 50 states testifies to the power of full integration with the United States.
- **The status issue must be resolved before Puerto Rico can realize its potential.** Puerto Rico can't develop its resources and people until the status issue is resolved. In a recent book, *Puerto Rico: The Trials of the Oldest Colony in the World*, Jose Trias Monge writes that the present status is unsustainable, and that,  
  
"the unceasing debate about the island's political status and the uncertainty about its future is sapping Puerto Rico's strength to stand on its own feet and deal with its severe economic problems."<sup>1</sup>
- **Statehood would set Puerto Rico clearly apart from developing economies and generate greater exposure for the island.** In the eyes of investors, Puerto Rico is associated with the Dominican Republic, Costa Rica, and Chile, or even Ireland and Singapore, and not with Mississippi, South Carolina, and Connecticut. Statehood would make Puerto Rico a full and clear part of the U.S. in the eyes of U.S. and other outside investors.

Statehood would also create needed exposure for an economy about which many mainland and foreign investors, potential tourists, and companies know little. Both Alaska and Hawaii received extensive exposure from statehood. Historian and economist Thomas Hitch wrote that "*statehood was worth a billion dollars of advertising and promotion for Hawaii.*"<sup>2</sup>

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<sup>1</sup> Jose Trias Monge, *Puerto Rico: The Trials of the Oldest Colony in the World*, p. 4.

<sup>2</sup> Thomas Hitch, *Islands in Transition: The Past, Present, and Future of Hawaii's Economy*, p. 181.

## **Why Statehood?**

### **More Evidence for the Economic Benefits of Statehood**

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- **States have grown 2% faster than territories.** Historical data shows states' faster growth over time.<sup>3</sup> Most recently, Alaska and Hawaii experienced faster growth, increased investment, and improving living standards after becoming U.S. states. (See Appendix #3).
- **Poorer states in the U.S. have been growing faster and catching up with richer states.** Full integration in the U.S. has stimulated convergence, or the "catch up effect." Mississippi, for example, has grown twice as fast as wealthier Northeastern states since 1940. In 1940, it earned only 22% as much as the richest state. Through faster growth, it has narrowed the gap to 50% as much. Puerto Rico hasn't grown like these states: it has been stuck earning a third as much as the mainland average for almost 30 years.

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<sup>3</sup> Fernando Lefort, "Is Puerto Rico Converging to the U.S.?" p. 16.



## **Why Statehood?**

### **Appendix #2. Investment**

**Puerto Rico needs investment to grow. Investors have been discouraged from risking their money on the island by the continuing uncertainty over the island's status. To realize its potential, Puerto Rico must resolve the debate, and establish a permanent status. Statehood would create an environment of stability and permanence to attract needed capital and generate long-term growth.**

- **Statehood would make Puerto Rico a more favorable, "domestic" location for investors on the mainland.** Under commonwealth status, Puerto Rico is perceived to be a "foreign" location by mainland investors and businesses. From their perspective, statehood would create a more familiar and comfortable investment climate. Puerto Rico would be associated and compared with Alabama, South Carolina, or Connecticut, and not with Chile, Argentina, or Costa Rica.

**Like in the Hertz commercials, you're either Hertz or "not exactly." As a commonwealth, Puerto Rico now fits in the "not exactly" category.**

- **Statehood would increase investment by eliminating existing uncertainty over status and creating a stable political environment.** As Robert Picciotto of the World Bank recently wrote, "from the perspective of external investors, it is clear that only statehood would definitely and immediately lift [political] uncertainty."<sup>4</sup> Statehood would similarly eliminate the persistent uncertainty over possible changes in tax and economic policy under the existing commonwealth status. Moody's Investors Service, recently issued a special report on Puerto Rico, which found that a transition to statehood would make the island "more attractive to strategic business investment."<sup>5</sup>
- **Puerto Rico's unresolved political status has discouraged investment.** Investors perceive the uncertainty and impermanence that characterizes the commonwealth status. As a result, investors pursue shorter-term, higher return projects to compensate for added political risk.
- **Investment has been insufficient to generate strong economic growth under commonwealth status.** Businesses badly need investment to grow and create new jobs. Since an initial boom in the 1950's and 1960's, investment in Puerto Rico has dropped to less than half those levels, and now at around 14% of GDP.<sup>6</sup>
- **Capital has been flowing out of Puerto Rico faster than it has been coming in.** Between 1981 and 1994, Puerto Rico actually sent out \$2.2 billion more than it took in. This outflow reflects a lack of faith among local and outside investors in the Puerto Rican economy, and general uncertainty over the island's political status.

<sup>4</sup> Robert Picciotto, "A Comment on Fernando Lefort's Paper," p. 4.

<sup>5</sup> Steve Hochman and Timothy Blake, "Moody's Releases a Puerto Rico Special Comment: Credit Implications of a Change in Political Status," March 27, 1998.

<sup>6</sup> In 1994, investment in Puerto Rico amounted to 14% of GDP, after dropping from 33% in 1973. Fernando Lefort, "Is Puerto Rico Converging to the U.S.?" p. 22.

## **Why Statehood?**

- **Statehood would encourage foreign investment in Puerto Rico.** Foreign investors are even more confused about Puerto Rico than mainland investors. A recent lawsuit brought by a Belgian subsidiary of Wrangler challenged Eastpak's right to use the "Made in the U.S.A" label on bags manufactured in Puerto Rico.<sup>7</sup> In the eyes of foreign investors, Puerto Rico is also "not exactly" part of the U.S. Statehood would make the island a full and unequivocal part of the U.S., with its associated stable political and economic institutions.
- **With increasing trade liberalization and capital mobility, Puerto Rico's nebulous commonwealth status will be an even greater disadvantage in attracting investment.** As part of the U.S. tariff system, Puerto Rico enjoyed an advantage over neighboring developing countries. With growing free trade through NAFTA, MERCOSUR, and CARICOM, Puerto Rico's once privileged trade status is eroding. Money can now move across the world in seconds. As the competition for investment intensifies, statehood would distinguish Puerto Rico from other locations in the Caribbean, Latin America, and around the world.

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<sup>7</sup> Marion Lloyd, "Wrangler chief apologizes in effort to avert boycott," *San Juan Star*, February 4, 1998.

## Why Statehood?

### Appendix #3.

### Alaska and Hawaii

Statehood brought sustained faster growth to Hawaii and Alaska. These most recent states experienced higher investment and rising living standards. The Hawaiian economy grew about twice as fast, and tourism increased at 15% a year for 15 years.

- **Hawaii's economy experienced a burst of growth after statehood.** In Hawaii, income per capita increased twice as fast in the decade after statehood than before. Real income per capita rose 21% from 1948 to 1958, and by 52% from 1958 to 1968.<sup>8</sup> Annual increases in real gross state product jumped from 4% during the period 1949 to 1958 to almost 7% during the "Great Hawaiian Boom," from 1958 to 1973 coinciding with the move to statehood.<sup>9</sup> The Hawaiian economy grew faster than the strong U.S. economy in real terms in 7 of the 11 years between 1959 and 1969.<sup>10</sup> Economist and historian Thomas Hitch wrote:

Hawaii's powerful growth likely "set an all-time record for sustained high-level expansion for any state or region in the nation."<sup>11</sup>

- **Statehood boosted Hawaiian tourism.** Yearly visitors to Hawaii increased **fifteen-fold** between 1958 and 1973, and averaged a 20 percent per year increase for 15 years.<sup>12</sup> Tourism spending grew at a real annual rate of 15.1% and increased from 6% to comprise 19% of the economy during the same period. Puerto Rico's tourist industry is now the same size as Hawaii's when it became a state.
- **Alaskan economy expanded with statehood.** Alaska experienced a similar surge of growth following statehood, with per capita income jumping by 69% from 1960 to 1969 from \$2,743 to \$4,638.<sup>13</sup> Real personal income grew at 7% a year, more than 50% above the U.S. growth rate, throughout the period 1961 to 1973.<sup>14</sup> Exports tripled during the same period and tourism also increased significantly.
- **Statehood inspired investor confidence.** As territories, both Alaska and Hawaii were placed in the foreign trade departments of mainland corporations. With statehood, both states became domestic locations, and investor confidence and familiarity increased.

The United States General Accounting Office wrote that statehood made investment more available in Hawaii "by removing psychological barriers to investing in a 'foreign' entity."<sup>15</sup>

<sup>8</sup> Robert Schmitt, *Historical Statistics of Hawaii*, p. 167, and adjusted using the Honolulu Consumer Price Index

<sup>9</sup> Growth figures cited in Thomas Hitch, *Islands in Transition*, pp. 171-172.

<sup>10</sup> United States General Accounting Office, "Experiences of Past Territories Can Assist Puerto Rico Status Deliberations," p. 43.

<sup>11</sup> *Ibid.* at p. 171.

<sup>12</sup> Thomas Hitch, *Islands in Transition*, p. 182.

<sup>13</sup> United States General Accounting Office, "Experiences of Past Territories," p. 34.

<sup>14</sup> David Kresge, "Issues in Alaska Development," p. 59.

<sup>15</sup> Fernando Lefort, "Is Puerto Rico Converging to the U.S.?" p. 45.

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Bank of Hawaii economist Thomas Hitch wrote that after statehood, "national business firms with activities all over the country began asking themselves why they were not doing business in Hawaii. Those that already had connections with Hawaii transferred the Hawaii market program out of the foreign department and put it in the domestic department."<sup>16</sup>

- **Statehood stimulated higher levels of investment.** Investment increased dramatically in both Hawaii and Alaska, as investor confidence soared.

External investment in Hawaii, for example, tripled from \$168 million in 1958 prior to statehood to \$625 million in 1969.<sup>17</sup>

The number of outside firms doing business in Hawaii jumped from 311 in 1955 to 1,916 by 1971, a better than six-fold increase. Economist and historian Thomas Hitch writes that *this increase "would have taken a generation or two to achieve" without statehood.*<sup>18</sup>

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<sup>16</sup> Thomas Hitch, *Islands in Transition*, p. 181.

<sup>17</sup> As measured in the investments of insurance companies. United States General Accounting Office, "Experiences of Past Territories," p. 43.

<sup>18</sup> Hitch, p. 182.

## Why Statehood?

### Appendix #4.

### Federal Benefits

U.S. citizens in Puerto Rico get fewer benefits for health, crime protection, education, income support, and other programs. Under commonwealth, this unequal treatment is perfectly legal and can continue indefinitely. Congress is not likely to offer full and equal benefits as long as Puerto Rico doesn't pay taxes and aren't interested in becoming a state.

As a state, Puerto Rico would be treated equally and receive \$1.4 billion more in federal funds each year for health, education, children, crime protection, and other programs.

- a. **Puerto Ricans now receive fewer benefits than U.S. citizens in the 50 States.** U.S. citizens in Puerto Rico get lower benefits for some federal programs, and don't get others at all. Maximum benefit levels for Food Stamps are 25% lower in Puerto Rico, Medicare benefits are calculated differently, and the largest federal program for the needy disabled and elderly (SSI) does not operate at all.
- b. **Unequal treatment is legal.** Congress has full power to set lower benefits for Puerto Ricans, and not fund some programs at all. The courts have found that this unequal treatment is legal, and it is likely to continue as long as Puerto Rico remains a territory:  
  
*"Congress has the power to treat Puerto Rico differently, and every federal program does not have to be extended to it." Califano v. Torres, 435 U.S. 1 (1978).*  
  
Congress can legally provide lower welfare benefits to U.S. citizens in Puerto Rico. *Harris v. Rosario, 446 U.S. 651 (1980).*
- c. **Statehood would end this legal discrimination and guarantee equal treatment under the Constitution.** As a state, Puerto Rico would be a full partner in the Union, and its citizens guaranteed equal treatment under the Constitution. U.S. citizens in Puerto Rico would receive the same benefits as U.S. citizens in Florida, New York, or any other state.
- d. **Equal funding with statehood would mean \$1.4 billion more each year.** Statehood would result in more money to fund health, health insurance for children, education, crime protection, income support, and many other programs. A few examples are listed below of the kinds of programs and benefits that Puerto Rico would receive as a full and equal partner in the Union.

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**Table: Examples of Federal Benefits With Statehood**

- **Medicaid.** Health insurance for the needy and low-income.  
*Puerto Rico now gets less than a quarter of what it would receive as a state.*
- **Food Stamps.** Federal money for the needy to buy food.  
*Benefit levels are 25% less than in the U.S. and funding is limited by an annual cap.*
- **Supplemental Security Income.** Federal money for the needy elderly and disabled, with benefits of between \$446 and \$650 a month.  
*SSI does not currently operate at all in Puerto Rico.*
- **State Children's Health Insurance Program (S-CHIP).** Federal program providing health insurance for low-income children.  
*Puerto Rico now gets a third of what it would as a state.*

## **Why Statehood?**

### **Appendix #5.**

### **Federal Taxes**

**Commonwealth does not protect Puerto Ricans from paying federal income taxes. It is not a question of "if" Puerto Rico will pay full taxes, but when. Puerto Rico will have to pay its way.**

**In the event of full federal taxation, most Puerto Ricans would not pay any federal income taxes, and a majority would get government checks through the Earned Income Credit. With statehood, Puerto Rico tax rates could be cut so that the average taxpayer pays less or the same as before. Increased federal transfers and improved efficiency would more than make up for lower revenues.**

- a. **Commonwealth does not protect Puerto Rico from paying federal income taxes. Congress could act to impose all federal taxes now, under commonwealth. In fact, Congress is studying the issue. Why should Congress keep spending over \$11 billion a year, when Puerto Rico makes no contribution? It's just a matter of time before Washington acts to impose full federal taxes on Puerto Rico.**

**A bill is now before Congress which proposes a study of phasing in all federal taxes in Puerto Rico (HR 4769, "Fiscal Equity and Responsibility for Puerto Rico" submitted by Phil English of Pennsylvania).**

**Ads on the mainland are running, "Why Should Puerto Rico Have a Free Ride?"**

**Both Hawaii and Alaska paid all federal taxes, including the federal income tax, prior to becoming states.**

- b. **Congress has full legal power to impose all federal taxes in Puerto Rico. Under the Territorial Clause, Congress has broad powers to legislate and regulate in Puerto Rico. (See Appendix #6). The power to tax is part of Congress' broad power over Puerto Rico.**
- c. **Very few Puerto Ricans would owe any federal income tax. For example, married taxpayers with two children don't start paying federal income taxes until they make about \$25,000. See table 1 below for the amount of tax-free income for different filers.**

**At least *two-thirds* of Puerto Rican families with children don't earn enough to pay any federal taxes.**

**The Puerto Ricans who do not make enough money to file returns now will not owe any federal tax, and most will also get money back.**

- d. **Most families in Puerto Rico will get checks from Washington through the Earned Income Credit. The credit was designed to support working families in America. Unlike other tax credits, the earned income provides up to \$3,656 a year in as a direct payment. The credit is available for families who make up to \$28,495. See table 2 below for more eligibility and benefit information.**

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- e. **The overall tax bill for most Puerto Ricans owing federal tax would actually drop or stay the same.** There is considerable room to cut high local rates (more than double what is owed in the average state), while improving public services. Statehood would provide additional federal funds and cooperation to help compensate for lower local tax revenues.

**With statehood, it is estimated that Puerto Rico could reduce its overall spending by 45%, and cut income tax rates by 72%. See table 3 for current and proposed Puerto Rico tax rates under statehood. Puerto Rican taxes would be harmonized with the other states, and overall tax burdens would be mostly reduced or unchanged.**

**For example, a family with two children making \$20,000 would pay \$2,503 less than before. See table 3 for examples of reduced tax burdens under statehood.**

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**Table 1: Amount of Income Tax-Free Under Federal Income Tax**

Filing Status	Maximum Earned Income Without Owning Any Federal Tax
Married with 2 children	\$24,399
Head of Household with 2 children	\$22,949
Married with 1 child	\$20,499
Head of Household with 1 child	\$18,799
Married with no children	\$14,854
Single	\$ 7,799

Note. Assumes application of tax laws from federal fiscal year 1997. Earned income only.

**Table 2: The Federal Earned Income Tax Credit**

Type of Taxpayers	Maximum Income	Maximum Credit
Single filers	\$9,500	\$323
Families with one child	\$25,078	\$2,152
Families with two or more children	\$28,495	\$3,656

**Table 3: Examples of Puerto Rico Taxpayers**

**a. Married with Two Children**

Income	PR Taxable Income	Proposed PR Tax Liability	Federal Tax	Total Tax	Current PR Tax Liability	Difference
\$10,000	\$1,400	\$31	(\$3,656)	(\$3,625)	\$112	(\$3,737)
\$20,000	\$11,400	\$359.47	(\$1,574)	(\$1,215)	\$1,288	(\$2,503)
\$30,000	\$21,400	\$768.06	\$1,879	\$2,647	\$2,752	(\$105)
\$40,000	\$31,400	\$1,321.21	\$3,379	\$4,700	\$4,734	(\$34)
\$50,000	\$41,400	\$2,186.39	\$4,879	\$7,065	\$7,834	(\$769)
\$60,000	\$51,400	\$3,059.39	\$6,551	\$9,610	\$10,962	(\$1,352)

**b. Single with No Children**

Income	PR Taxable Income	Proposed PR Tax Liability	Federal Tax	Total Tax	Current PR Tax Liability	Difference
\$10,000	\$6,700	\$202	\$484	\$686	\$724	(\$38)
\$20,000	\$16,700	\$537	\$1,984	\$2,521	\$1,924	\$597
\$30,000	\$26,700	\$1,034	\$3,484	\$4,518	\$3,706	\$812
\$40,000	\$36,700	\$1,780	\$6,099	\$7,879	\$6,377	\$1,502
\$50,000	\$46,700	\$2,645	\$8,899	\$11,544	\$9,477	\$2,067
\$60,000	\$56,700	\$3,548	\$11,699	\$15,247	\$12,711	\$2,536

## **Why Statehood?**

### **Commonwealth Could Be Changed Or Ended At Any Time**

3. **The commonwealth status is subject to change without Puerto Rico's consent.** Puerto Rico's commonwealth status is set by law, and not guaranteed by the Constitution. Commonwealth is based on federal laws that Congress could change at any time in the future. It is not a guaranteed or permanent status. Congress soundly rejected the idea of permanent commonwealth this year. The federal courts and legal experts are also clear on the subject:

**P.L. 600 does not in any way prevent "a future determination by the Congress of Puerto Rico's ultimate political status." Report of the Public Lands Committee of the United States House of Representatives.**

**"Congress may unilaterally repeal the Puerto Rico Constitution or the Puerto Rico Federal Relations Act and replace them with any rules or regulations of its choice." United States v. Sanchez, 922 F.2d 1143 (11<sup>th</sup> Cir. 1993).**

4. **Commonwealth is not a permanent status under the Constitution.** International law and the U.S. Constitution do not recognize commonwealth as a permanent status. There are only two permanent choices. A territory either moves on the path to statehood, like Hawaii and Alaska, or towards independence, like the Philippines. Free association is a temporary status based on a treaty of association between two independent nations; either country could end the relationship at any time.

### **Commonwealth Does Not Protect Puerto Rican Culture And Language**

5. **Congress now has full power to impose English language requirements in Puerto Rico schools and government.** Through its power over Puerto Rico under the Territorial Clause, Congress has broad authority to impose language regulations that would not be legal under statehood.
6. **Statehood would protect Puerto Rico language and culture.** Under the 10<sup>th</sup> Amendment, the States retain any powers not delegated to the federal government. These powers include culture, language, civic education, health and safety, etc. English and Spanish could continue as the languages of government in Puerto Rico under statehood. Quite simply, the Constitution does not give the federal government power to impose language requirements on the States. There are no such protections as long as Puerto Rico remains a territory.

## **Why Statehood?**

### **Commonwealth Does Not Protect Against Federal Taxation**

7. **Congress could act to impose all federal taxes now, under commonwealth.** In fact, Congress is currently studying the issue. Why should Congress keep spending over \$11 billion a year, when Puerto Rico makes no contribution? Why should Washington not impose full federal taxes on Puerto Rico?

**A bill is now before Congress which proposes a study of phasing in all federal taxes in Puerto Rico (HR 4769, "Fiscal Equity and Responsibility for Puerto Rico" submitted by Phil English of Pennsylvania).**

**Ads on the mainland are running, "Why Should Puerto Rico Have a Free Ride?"**

**Both Hawaii and Alaska paid all federal taxes, including the federal income tax, prior to becoming states.**

## **Why Statehood?**

### **Appendix #7. Culture and Language**

**Culture and language are protected with statehood. As a territory under the full power of Congress, Puerto Rico is now subject to language restrictions and regulations *that would not be legal with statehood*. Only statehood guarantees protection of language and culture under the Constitution.**

1. **Puerto Rican culture and language are safe with statehood.** Just ask Puerto Ricans living in New York, Florida, and across the U.S. Ask the hundreds of thousands of new immigrants from around the world who come to the U.S. each year. The U.S. is filled with a vibrant mixture of cultures that share a common belief in democracy and freedom. Ronald Reagan perhaps said it best:

**"In statehood, the language and culture of the island – rich in history and tradition – would be respected, for in the United States the cultures of the world live together with pride." (January 12, 1982)**

**There are already 27 million Hispanic Americans living throughout the fifty states (seven times the number in Puerto Rico) and by 2005 they will comprise the largest minority in the U.S. By 2025, Hispanics will be the majority in Texas and other states.**

2. **The federal government does not have the power to impose language requirements on the States.** The 10<sup>th</sup> Amendment of the U.S. Constitution reserves the power over language to the individual States. That means that Congress cannot legally impose language requirements on State governments, schools, or courts.

**English is already the official language of the federal government and U.S. courts in Puerto Rico. That wouldn't change with statehood.**

**English and Spanish are the official languages of the Puerto Rican government, and that won't change either. In fact, Hawaii also has two official languages: English and Hawaiian.**

3. **As a territory, Puerto Rico is subject to language requirements by Congress that would be illegal for the States.** Through its power over Puerto Rico under the Territorial Clause, Congress could require "English-only" in Puerto Rico schools, government, or courts. Such restrictions on U.S. States would be illegal.

## **Why Statehood?**

### **Appendix #6.**

### **Commonwealth Status**

Under commonwealth, Puerto Rico is still a territory subject to the full power of Congress. Commonwealth is not a permanent status, and could be changed or ended at any time by Congress. Congress could act now to impose full federal taxes on Puerto Rico. In the 50 States, culture and language are protected by the Constitution—not in Puerto Rico.

#### **Congress Has Full Political Power Over Puerto Rico**

1. **Puerto Rico is a territory subject to the full power of Congress.** Legally speaking, Puerto Rico is known as an “unincorporated territory” which was never made a full part of the United States. That means that the Constitution does not fully apply here. As a territory, Congress has full power over Puerto Rico under the Territorial Clause of the U.S. Constitution:

“The Congress shall have power to dispose of and make all needful rules and regulations respecting the Territory or other property belonging to the United States.” Article IV, Section 3, Clause 2 of the United States Constitution.

#### **Commonwealth Never Changed Puerto Rico’s Status As A Territory**

2. **Puerto Rico is still a territory under the full control of Congress.** Congress provided Puerto Rico with local self-government through the Federal Relations Act (Public Law 600). Public Law 600 does not have the authority to change the nature of the relationship between Puerto Rico and the U.S., or restrict Congress’ power over Puerto Rico through the Territorial Clause. These congressional reports and statements are clear:

“It is important that the nature and general scope of [the bill] be made absolutely clear. The bill under consideration would not change Puerto Rico’s fundamental political, social and economic relationship with the United States...” Report of the Public Lands Committee of the United States House of Representatives.

“Their fundamental status is unchanged.” U.S. Representative Jacob Javits.

Federal courts have drawn the same conclusion.

Puerto Rico was a territory “both before and after the adoption and approval of its constitution.” Detres v. Lions Bldg. Corp. 234 F. 2d 596.

“Puerto Rico is still constitutionally a territory, and not a separate sovereign.” U.S. v. Sanchez, 992 F. 2d 1143.

Puerto Rico is still within the power of Congress under the Territorial Clause. Americana of Puerto Rico v. Kaplus, 368 F. 2d 431.

## Why Statehood?

### Appendix #8: U.S. Citizenship in Today's Puerto Rico

U.S. citizenship of Puerto Ricans will always be at risk, as long as Puerto Rico remains a commonwealth. Because the U.S. citizenship of Puerto Ricans is provided by law, a future Congress could decide to restrict U.S. citizenship or even take it away. Only statehood can safeguard citizenship for this and future generations in Puerto Rico.

Status Options	U.S. Citizenship
<b>Statehood</b>	<ul style="list-style-type: none"><li>• Permanent</li><li>• Fully protected by the U.S. Constitution</li><li>• Rights guaranteed under the 14<sup>th</sup> Amendment</li><li>• Full voting rights</li></ul>
<b>Commonwealth</b>	<ul style="list-style-type: none"><li>• Temporary and subject to restriction or removal</li><li>• Provided by law and not protected from Congressional legislation</li><li>• Rights not fully guaranteed under the 14<sup>th</sup> Amendment</li><li>• No voting rights in Congress or for the President</li></ul>
<b>Independence</b>	<ul style="list-style-type: none"><li>• Not available for anyone born in Puerto Rico</li><li>• Current U.S. citizens could have to choose between Puerto Rico and the U.S.</li><li>• Congress probably won't grant dual citizenship for 4 million people who have decided against a relationship with the U.S.</li><li>• Those who chose the U.S. could have to move to the mainland.</li></ul>

#### U.S. Citizenship At Risk

1. **U.S. citizenship for future generations in Puerto Rico is not guaranteed.** A future Congress has legal power to stop providing U.S. citizenship for anyone born in Puerto Rico. The U.S. citizenship of Puerto Ricans is provided for in a law, the Jones Act of 1917, and laws can be changed. U.S. citizenship in the 50 states is protected by the Constitution in the 14<sup>th</sup> Amendment.

Consider the testimony of Senior Specialist Johnny Killian from the Congressional Research Service on March 9, 1989:

**"The Fourteenth Amendment [which protects citizens born in the U.S. or naturalized] would not restrain Congress' discretion in legislating about the citizenship status of Puerto Rico."**

**"There is no Constitutional requirement nor guarantee that Congress must maintain the current statutory provision for citizenship based on birth in territory outside the several states. To imply otherwise, in my opinion, would be wrong."**

#### Pledges Are Not Guarantees

2. **Pledges by members of Congress to continue providing Puerto Ricans with U.S. citizenship are legally invalid.** No Congressmen can make such promises—they can't control what Congress does in the future. Should U.S. citizenship be uncertain and left in the hands of future politicians?

**Just ask the U.S. citizens of Guam, who needed entry and exit permits to travel until 1964.**

## **Why Statehood?**

### **"Second Class" Citizenship Under Commonwealth**

3. **Puerto Ricans lack the same rights as other U.S. citizens, and don't enjoy the same Constitutional protections.** Puerto Ricans can't vote for Congress or the President, and have no voice in making the federal laws that affect them. The 14<sup>th</sup> Amendment of the Constitution protects U.S. citizens who were naturalized or born in the 50 states, but it doesn't guarantee Puerto Rican "statutory citizens" the same rights (the right to vote, for example). Only statehood guarantees full and permanent U.S. citizenship with equal rights under the Constitution.

### **The Effect of Independence On U.S. Citizenship**

4. **Independence is incompatible with U.S. citizenship.** Any Puerto Ricans born in Puerto Rico after the declaration of independence would not be U.S. citizens. Current citizens could be forced to give up their citizenship, or choose between Puerto Rico and the U.S. citizenship. Even if they chose U.S. citizenship, current U.S. citizens may have to live in the U.S. to keep it, according to the Department of Justice.

### **Free Association and Citizenship**

5. **U.S. citizenship is at risk under free association.** Free association is a treaty arrangement between two independent nations. Current U.S. citizens would have to decide between U.S. and Puerto Rican citizenship, as they would under independence. Dual citizenship would be constitutionally unprecedented and politically unlikely. Why would Congress grant U.S. citizenship to people born in an independent Puerto Rico?
6. **Free association is terminable at will by either party, at any time.** As a treaty based relationship, free association and any special immigration or travel rights could be ended at any time.

**The Pacific Islands of Marshall, Micronesia, and Palau, the nations now in free association with the United States, were never offered and do not have free association with dual U.S. citizenship.**