

Nydia Velazquez Statement on need for EITC, CTC, and Medicare reforms for
Puerto Rico
Ways and Means Committee Member Day
June 4, 2019, 10:00 a.m.

Chairman Neal, thank you for the opportunity to testify today. There are a number of critical steps this committee can take to stimulate economic growth and improve the healthcare system in Puerto Rico.

As we are all well aware, Puerto Rico continues to struggle from the one-two punch of a 10-year economic downturn that was exacerbated by the devastation of Hurricane Maria in 2017.

Unfortunately, economic development has been sorely lacking in the disaster recovery to date. The island continues to have one of the highest unemployment rates and lowest labor participation in the country.

Coupled with that fact that many families live below the poverty line, paying for everyday essentials like housing, food, and transportation is a struggle.

It is my belief that providing an expanded Child Tax Credit and extending Earned Income Tax Credit would have a significant positive impact on the economy and lives of our brothers and sisters in Puerto Rico.

Specifically, the refundable portion of the child tax credit, often called the additional child tax credit (ACTC), is only available to Puerto Rican families with 3 or more children.

I urge this Committee to amend Section 24 of the Internal Revenue Code to authorize otherwise eligible families in Puerto Rico with one child or two children to claim the additional child tax credit, with the amount of the credit equal to the amount of annual federal payroll taxes paid by the family or \$1,000 per qualifying child, whichever is lower.

This legislative change will provide the same treatment to families in Puerto Rico with one child or two children that is currently provided to island families with three or more Children. This simple change could benefit an additional 404,000 children in Puerto Rico, with an average credit for all Puerto Rico families of \$770, which will help reduce child poverty on the island.

Similarly, the Committee should consider extending the Earned Income Tax Credit (EITC) to Puerto Rico. There is broad agreement that Puerto Rico's low labor force participation rate significantly contributes to the island's

economic and fiscal problems. Studies have shown that the EITC increases labor force participation and reduces child poverty.

While the residents of Puerto Rico are not required to pay federal income taxes on their Puerto Rico-source income, like many of their fellow American citizens, workers in Puerto Rico are subject to all federal payroll taxes.

Clearly, extending the ETIC will present challenges, but I feel this is an option the Committee should consider to help the people of Puerto Rico.

Finally, the Committee should explore legislation that would address disparities in the Medicare Advantage program in Puerto Rico.

Most Medicare recipients in Puerto Rico receive coverage through local Medicare Advantage programs.

Unfortunately, payment rates are the lowest in the country – a staggering 40% lower than the national average. This has had a significant impact on the medical community and delivery of care on the Island. I urge you to consider legislation that would bring parity to the Medicare program for Puerto Rico.

Thank you again for opportunity to testify on ways we can help spur economic growth and improve healthcare in Puerto Rico.