

(S. B. 1030)

(No. 24-2015)

(Approved February 27, 2015)

AN ACT

To create the “Puerto Rico Talent Retention Incentive Act”; establish as the public policy of the Commonwealth of Puerto Rico to create incentives to retain talent in Puerto Rico, and promote the return of young professionals residing outside of Puerto Rico who wish to enter public service; amend Section 1033.15 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to establish a special tax deduction of twenty-five percent (25%) for payments made to the principal amount of undergraduate student loans, and fifty percent (50%) for payments made to the principal amount of postgraduate student loans, both, participants of the federal program known as the Public Service Loan Forgiveness; fix eligibility requirements, establish a cap on the amount of the deduction granted, and a maximum period of eligibility; direct that an awareness campaign be conducted; require annual reports; and for other related purposes.

STATEMENT OF MOTIVES

In the last years, Puerto Rico has been faced with the issue of a continuous population decline. The most recent data from the Federal Census shows that by July 2013, Puerto Rico’s population was around 3.6 million of persons, which represents a loss of over 110,000 inhabitants when compared to the data of the 2010 Census. It is estimated that over 3,000 Puerto Ricans leave Puerto Rico each month. According to a study conducted by the Puerto Rico Statistics Institute in 2010, the greatest percentage of migrants is constituted by a young population in “productive and reproductive age.” This data is alarming since it proves the fact that our youth is being forced to migrate during the most productive stage of their lives. In turn, Puerto Rico’s population is aging, and the gap between births and deaths in Puerto Rico is closing rapidly. The news media in the United States have commented that,

since 2006, Puerto Rico has been losing more population than any other state of the United States. The proportion of educated young professionals who migrate from Puerto Rico to the United States is growing. According to a study commissioned by the Council on Higher Education of Puerto Rico in 2008 on the Brain Drain, twenty-five percent (25%) of all students holding a bachelor's, master's, and doctorate degree who were born in Puerto Rico are living in the United States. As indicated by the Center for the New Economy, this exodus has cost Puerto Rico \$3 billion in recent years.

Puerto Rico has a large number of universities and educational institutions that prepare professionals in all fields, both at the graduate and undergraduate levels. Unfortunately, a great number of these young students who are educated and formed in Puerto Rico, once they complete their studies, relocate to another place, mainly to the United States, to practice their profession. Therefore, in many cases the preparation and knowledge acquired by them in college institutions in Puerto Rico are never placed at the service of our Island. According to the Global Competitiveness Report 2013-2014, Puerto Rico is ranked 104th among 148 countries in terms of its capacity to retain the talent produced.

There are various reasons for which Puerto Rico has been unsuccessful in retaining the talent produced by our educational institutions, including: the lack of economic incentives to stay in Puerto Rico, lack of jobs and the need to earn an income to defray the cost of living and begin paying their debts, particularly student loan debts. Student loans are a necessity for a large sector of our population to be able to defray the high costs of education, particularly at the graduate level. The reality is that hundreds of students are forced to take on student loans to defray their college education. This forces them, in turn, to incur a debt that often exceeds \$100,000.

In view of this concerning situation which has direct adverse effects on our economy, it is the duty of this Legislative Assembly to prevent and address this issue. Puerto Rico has the responsibility to incentivize and compete to retain the young talent that every day make the difficult decision to emigrate. Precisely, this Act has the purpose to provide for an incentive to retain Puerto Rico's talent and to promote the return of those professionals that have emigrated after completing their college studies. We intend to do this in a simple manner for easy and immediate implementation not requiring the creation of new government entities or new bureaucracies that entail a greater investment of money to effectively achieve the initial implementation of the public policy furthered herein. Thus, we propose the establishment of an incentive that complements the federal program known as the Public Service Loan Forgiveness Program.

The Congress of the United States enacted Public Law 110-84 in 2007, better known as the "College Cost Reduction and Access Act," which created the so-called Public Service Loan Forgiveness Program. This federal program has the purpose of promoting public service as a full-time work option for young professionals. Under this Program, any federal student loan debt balance of those persons who meet certain requirements while working in public service shall be forgiven. For the purposes of this Program, public service shall be deemed to be work performed for the Government or a nonprofit organization.

The Federal program's requirements are: (1) to work full-time at any of the three Branches of the Government, whether at the federal, state, or municipal level, or at a nonprofit organization; (2) to enroll in one of the repayment plans specifically created for the Public Service Loan Forgiveness Program, which allows for the lowest monthly payment possible, thus promoting a higher amount of the debt to be forgiven; (3) make 120 monthly payments without arrears for the full amount due as

shown on the bill under the repayment plan in which the person enrolled while working full-time as an employee of the government or of a nonprofit organization.

In order to incentivize Puerto Rico's talent retention, we propose the creation of an incentive at the state level to complement the Public Service Loan Forgiveness Program. The incentive shall consist of a special twenty-five percent (25%)-tax deduction for payments made to the principal amount of the student loans taken out for college studies, and a special fifty percent (50%)-deduction for payments made to the principal amount of graduate student loans. This tax deduction to be granted at the state level is intended to incentivize persons who are eligible for the Public Service Loan Forgiveness Program to avail themselves of said program by working in Puerto Rico and not elsewhere. To benefit from this incentive, the taxpayer must: be a U.S. citizen residing in the Commonwealth of Puerto Rico; certify, as established in this Act, eligibility for the Public Service Loan Forgiveness Program; hold a college degree, whether at the undergraduate or graduate level; work full-time at any of the three Branches of the Government of the Commonwealth of Puerto Rico, its agencies or public corporations, at the University of Puerto Rico, or the offices of any of the three Branches of the Federal Government, its agencies or public corporations in Puerto Rico, or at any nonprofit organization in Puerto Rico.

This legislation seeks to alleviate the economic burden imposed by student loan payments on those young professionals who choose to practice their profession by entering public service. It also seeks to make available to the government and the third sector the best talent possible by incentivizing young professionals to stay in Puerto Rico, or to return, in the event they had emigrated.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Title.

This Act shall be known as the "Puerto Rico Talent Retention Incentive Act."

Section 2.- Declaration of Public Policy.

It is hereby declared as the public policy of the Commonwealth of Puerto Rico to create incentives for the retention of talent in Puerto Rico, and to promote the return of young professionals who reside outside of our Island who are interested in entering public service.

Section 3.- Paragraph (5) of subsection (a) of Section 1033.15 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” is hereby amended to read as follows:

“Section 1033.15.- Deductions Applicable to Taxpayers who are Individuals.

(a) For the purposes of this Section, the taxpayer may claim the following items as deductions:

(1) ...

...

(5) Interest and portion of principal amount paid on student loans at college level. In the case of an individual, there shall be allowed as a deduction, the interest paid or accrued during the taxable year on indebtedness incurred for student loans to cover expenses of such individual, his/her spouse or dependent for registration and tuition fees and textbooks at college level, as well as expenses for transportation, meals, and room and board in those cases in which the student must live away from home in order to pursue such studies. In the case of an individual, there shall be admitted a special twenty-five percent (25%)-tax deduction for payments made to the principal amount of undergraduate student loans, or a special fifty percent (50%)-tax deduction for payments made to the principal amount of postgraduate student loans, eligible under Section 5 of the ‘Puerto Rico Talent Retention Incentive Act,’ up to a maximum of five thousand dollars (\$5,000) per taxable year; however, said deduction shall not be claimed by an individual for over ten (10) taxable years.

(6) ...

...

(b) ...

...”

Section 4.- Definitions.

The following terms, whenever used or referred to in this Act, shall have the meaning stated hereinbelow, except where the context clearly indicates otherwise:

(a) Employment Certification for Public Service Loan Forgiveness- A form provided by the U. S. Department of Education to determine the applicant’s eligibility for the Public Service Loan Forgiveness Program. This form shall be duly completed and filed with the U.S. Department of Education for the latter to determine whether said applicant is a full-time employee holding a job that is eligible to receive the benefits of the Public Service Loan Forgiveness program, and indicate which payments made to the principal amount of the applicant’s student loan debt qualify for the Public Service Loan Forgiveness Program.

(b) Response to the Employment Certification for the Public Service Loan Forgiveness Program- An official document issued by the U.S. Department of Education in response to the Employment Certification Form for Public Service Loan Forgiveness.

Section 5.- Eligibility Requirements.

Those taxpayers who meet all the requirements listed hereinbelow shall be eligible to receive the special twenty-five percent (25%)-tax deduction for payments made to the principal of undergraduate student loans taken for university studies, or a fifty percent (50%)-tax deduction for payments made to the principal of postgraduate student loans granted by Section 1033.15(a)(5) of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”:

(a) To be a U.S. citizen and a resident of the Commonwealth of Puerto Rico for the purposes of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”;

(b) To hold an undergraduate or graduate degree from a college institution;

(c) To submit an official copy of the diploma issued by a college institution attesting to having completed said undergraduate or graduate studies;

(d) To have made monthly payments to the principal amount of a federal student loan eligible for the Public Service Loan Forgiveness Program, and submit the official documents certifying that such payments were made. Once the monthly payments have been made, the taxpayer shall submit the duly completed Employment Certification for Public Service Loan Forgiveness to the U.S. Department of Education;

(e) To provide the Response to the Employment Certification for the Public Service Loan Forgiveness Program, whereby the taxpayer shall certify that he meets all necessary and indispensable requirements to avail himself of the Public Service Loan Forgiveness Program; and

(f) When making the monthly payments described in subsection (d) of this Section, to be a full-time employee of any of the three Branches of the Government of the Commonwealth of Puerto Rico, its agencies, or public corporations, the University of Puerto Rico, or the offices of any of the three Branches of the Federal Government, its agencies or public corporations located in the Commonwealth of Puerto Rico, or the offices of any nonprofit organization located in the Commonwealth of Puerto Rico.

Section 6.- Eligible Payments.

Only those payments to the principal amount of federal student loans that are deemed to be qualifying payments under the Public Service Loan Forgiveness

Program and which were made after the effectiveness of this Act shall be eligible to receive the deduction granted by this Act.

Section 7.- Advice on the Provisions of this Act.

The three Branches of the Government and the agencies or public corporations of the Commonwealth of Puerto Rico, including the University of Puerto Rico shall advise their employees on the provisions of this Act. To such effects, they shall place, permanently in a conspicuous place accessible to all employees, and/or on the website of said government entity, a document with the following information: a simple and concise summary of the contents of this Act, the incentive offered, and the eligibility requirements.

The college institutions located in the Commonwealth of Puerto Rico shall advise their students on the provisions of this Act. To such effects, they shall place, permanently in a conspicuous place accessible to all the students and/or on the website of said college institution, a document with the following information: a simple and concise summary of the contents of this Act, the incentive offered, and the eligibility requirements.

Section 8.- Annual Reports of the Department of the Treasury.

The Department of the Treasury of Puerto Rico shall submit an annual report to the Legislative Assembly, not later than June 30 of every year, stating in detail the number of taxpayers who claimed the deduction granted under this Act in the preceding taxable year, the number of claims that were eligible to receive said deduction, and the total amount of money admitted as a deduction for the taxpayers that were eligible.

Section 9.- Effectiveness.

This Act shall take effect upon its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 24-2015 (S. B. 1030)** of the **5th Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT create the “Puerto Rico Talent Retention Incentive Act”; establish as the public policy of the Commonwealth of Puerto Rico to create incentives to retain talent in Puerto Rico, and promote the return of young professionals residing outside of Puerto Rico who wish to enter public service; amend Section 1033.15 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to establish a special tax deduction of twenty-five percent (25%) for payments made to the principal amount of undergraduate student loans, and fifty percent (50%) for payments made to the principal amount of postgraduate student loans, both, participants of the federal program known as the Public Service Loan Forgiveness; fix eligibility requirements, establish a cap on the amount of the deduction granted, and a maximum period of eligibility; direct that an awareness campaign be conducted; require annual reports; and for other related purposes.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 15th day of February, 2022.

Mónica Freire-Florit, Esq.
Director