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## Acts 20/22 proving powerful lure for millionaire investors



By John Marino pages 14-19

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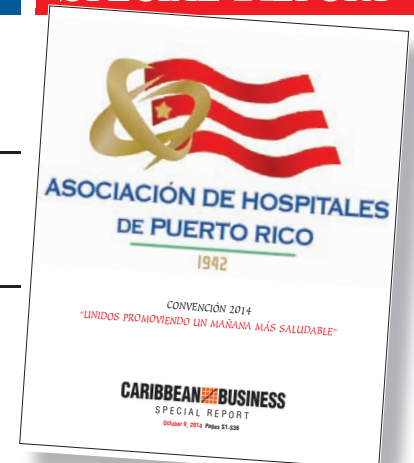
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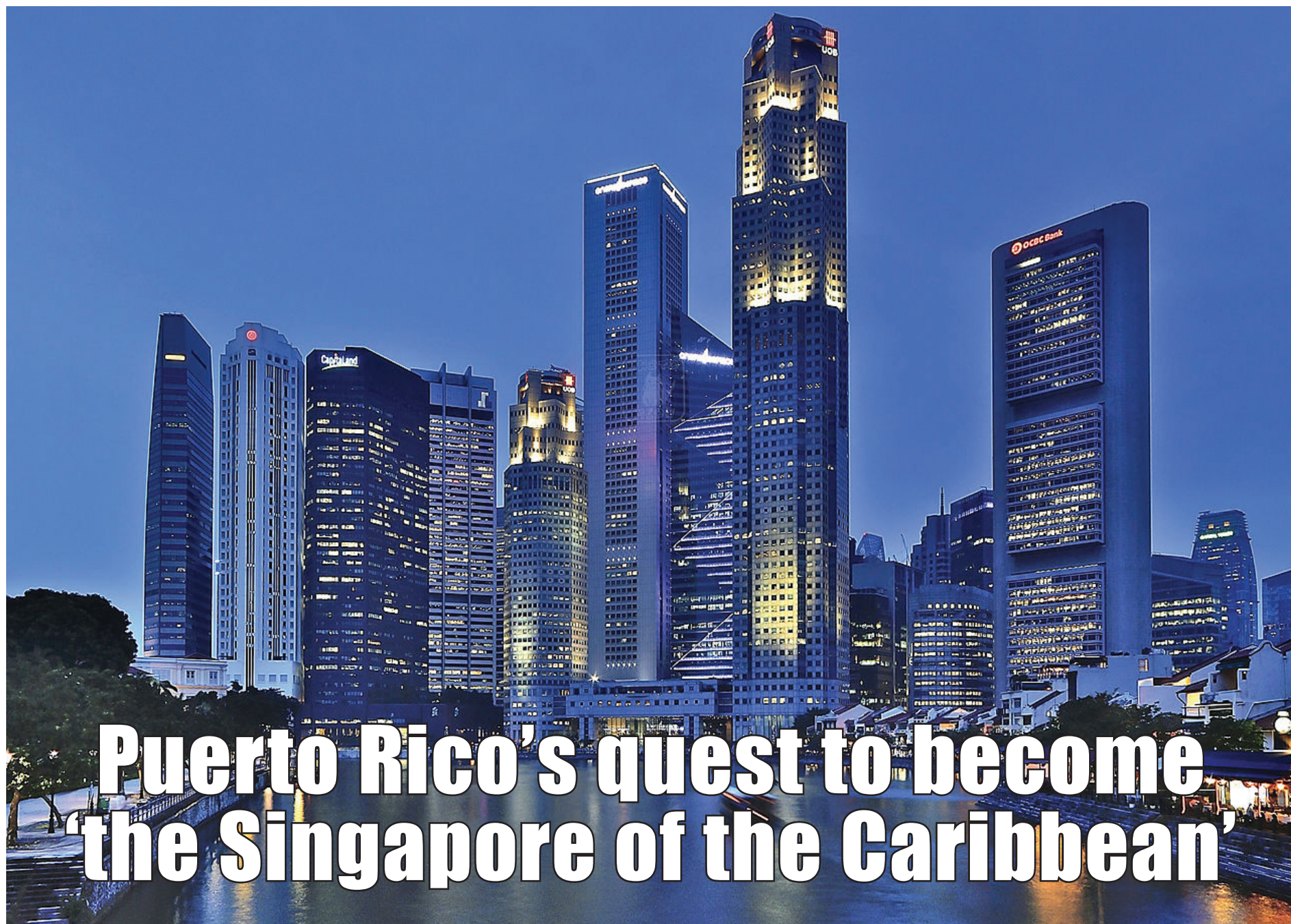


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BY JOHN MARINO  
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Florida-based hedge-fund manager Robb Rill relocated about 18 months ago to Puerto Rico, lured by tax incentives that seemed too good to be true and which nobody seemed to be talking about too loudly.

In fact, Rill was originally exploring a potential move to the U.S. Virgin Islands and wound up in Puerto Rico only after hearing about the local incentives from officials in the neighboring jurisdiction because of the tough competition they posed to their efforts to lure investors to its shores through tax breaks.

A pioneer in taking advantage of the twin incentives offered by Puerto Rico's Acts 20/22, Rill and his wife had to acclimate to their new home

and navigate their way through government red tape largely on their own.

"When we first moved here, since there was really nobody else but a handful of others, it did in the early days feel somewhat isolating," Rill recalled during a recent gathering of Puerto Rico's new crop of millionaire residents, all seeking benefits under Acts 20/22. "I was seen as the oddball gringo coming here for some new incentives that may or may not actually exist."

Rill began the Act 20/22 Society organization out of the "simple need for an epicenter for companies and individuals, where they could get guidance and assistance acclimating to their new home and have a community they could immediately identify with."

However, hours before its first event was held, Rill was struck with a fear of failure because the directions that were sent out were wrong due to road construction.

"I obviously didn't have enough faith in recipients who have uprooted their entire lives and moved their companies to a foreign place to have the skill set necessary to find a venue without the need for turn-by-turn directions. It was a good litmus test, and all but one person showed up," Rill said. "Ironically, that person left the island a short time later."

A lot has changed in 18 months. Rill may have been a trailblazer, but dozens of other wealthy professionals followed in his wake, and prominent investors such as hedge-fund king John Paulson are betting billions that the stream of millionaire investors

moving to Puerto Rico will turn into a flood. Meanwhile, the Society has grown into a community force.

"As you can see by looking around you, what started as a small group of people has grown into something much larger and more significant," Rill said during a speech at the Society's annual meeting last month at the Dorado Beach Ritz Reserve, which drew a crowd of more than 200, including husbands and wives.

The Society still functions to create a sense of community for members, organizing monthly Friday night dinners, private forums where people can share information, as well as trips to spas and racetracks. However, it has also morphed into an organization intent on contributing to

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its members' newfound home, funding projects that help the homeless dog population and putting technology in the hands of needy children, among others.

"We really believe in the idea of giving back to the community that provides us with so much opportunity. We are setting up a foundation as a formal way to contribute to Puerto Rico," Rill explained.

The Society also complements efforts by the government and private sector to promote the program and help "potential recipients determine if they qualify for these incentives and if so, if it is the right move for them to make, given their particular circumstances. We assist prospective recipients by giving them as much information about these topics as they need to make an educated decision and answering their questions about anything they may have concerns about," he added.

The Society has also "realized the importance of having a voice," and advocates for changes to improve the island's investment landscape and works to defend programs such as Act 22 from attack.

"There is safety in a united front. We need to be concerned about other legislation that could affect our investment and life on the Enchanted Island. We don't want our program here to get lumped into other political hotbed issues such as tax inversions, which sound similar to the layman, but which in reality are completely different," Rill said, adding that Act 22 is Puerto Rico simply using the tools at its disposal to drive its economic development.

#### A SPEARHEAD OF ECONOMIC DEVELOPMENT

The twin Act 20/22 incentives are responsible for practically the only bright economic news coming out of Puerto Rico these days. This year, the Economic Development & Commerce Department (DDEC by its Spanish initials) expects to lure a total 250 investors under Act 22, versus 155 in 2013.

Implemented under the previous administration of former Gov. Luis Fortuño and aggressively promoted by Gov. Alejandro García Padilla's



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—José Pérez-Riera, former secretary of Economic Development & Commerce  
Department under the Fortuño administration

economic development team, the incentives constitute one of the rare programs to be fully embraced by Puerto Rico's two main political parties, which bodes well for its continuity and future growth.

Former DDEC Secretary José Ramón Pérez-Riera was the principal architect and advocate for the Act 20/22 program, and his successor, current DDEC chief Alberto Bacó Bagué, is among the program's biggest promoters.

"I make it a point every chance I get to recognize the previous administration's role and the vision it had in enacting these laws," Bacó recently told reporters.

Pérez-Riera, now a partner at Madison Astur LLC and the Puerto Rico Economic Development Co.,

a San Juan-based private economic-development group, credits the new administration for recognizing the potential of the laws and embracing them.

"If Acts 20/22 are to fulfill their transformative potential, we need to view them as part of a long-term strategy that needs to be maintained for decades rather than years. I give much credit to the current administration for promoting the laws as they have been doing. Executing on someone else's strategies to obtain the best results, without pride of ownership getting in the way, is a selfless act that needs to be recognized and admired, and which we don't see enough of in public service," Pérez-Riera said.

Former chief of staff under Fortuño,

Marcos Rodríguez-Ema, said that the program should be looked at from an economic-development perspective rather than a political one.

"I can imagine what the arguments might be from members of both [main] political parties. These arguments, of course, have counter arguments, and at the end of it all, they probably wash each other out. Therefore, we should forget about making these laws about local politics, and focus on making them work for Puerto Rico's economic development, the way that they were designed to do," said Rodríguez-Ema, who is now a partner at Madison Astur LLC and the Puerto Rico Economic Development Co.

Act 22 is primarily designed to attract high-net-worth individuals to Puerto Rico, by eliminating all taxes on passive income that accrue after they relocate to the island. While dividends and interest income earned by Puerto Rico residents on U.S. securities are generally taxed by the federal government, capital-gains taxes on their sales are based on residence.

Puerto Rico's unique political status—under the jurisdiction of the U.S. but with a separate tax system—makes this pitch particularly attractive to wealthy investors residing stateside. U.S.-based millionaires and billionaires who move to the island would avoid taxation on the sale of securities, which are normally taxed federally at a 23.8% rate.

The Puerto Rico program has an advantage over foreign jurisdictions because investors don't have to renounce their U.S. citizenship to take advantage of the tax-shelter offer. In contrast, wealthy taxpayers who opt to re-establish to a foreign country have to surrender their U.S. passports and pay an exit tax of 23.8% on unrealized capital gains.

Puerto Rico's laws have resonance with worldwide investors as well. One particular appealing aspect of the law is not only the tax breaks it provides, but also that it includes a Puerto Rico tax decree to protect investors who move here, guaranteeing the incentives through 2035 from any subsequent changes in

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local legislation.

Act 20, meanwhile, establishes a flat 4% tax on earnings from companies that export professional services to off-island markets. The companion law is meant to lure Act 22 beneficiaries to bring at least a portion of their eligible businesses to Puerto Rico with them, and most are doing so. The DDEC expects to approve 180 Act 20 applications this year, up from 125 last year.

Rill said that initially, the first wave of professionals to take advantage of the incentives were financial industry professionals, including hedge-fund directors, but there has since been an evolution to include high-technology, legal and other professionals.

The combination of the two laws is a big driver in the offshore investment taking place on the island, and is a big part of the reason why Paulson is betting that Puerto Rico is poised to become the “Singapore of the Caribbean.”

“Acts 20/22 were conceived to be a game-changing economic-development strategy, and thus far, it certainly looks as if the vision that led to their creation was correct,” Pérez-Riera said.

“Time will tell whether the full extent of the benefits envisioned for Puerto Rico as a result of these laws comes to fruition, but as long as Acts 20/22 continue to be the sole beach of positive news around the world regarding Puerto Rico during these turbulent economic times, it behooves all of us who have a stake in Puerto Rico to support the effort by promoting the laws,” he added.

#### THE CAPITAL QUEST

During his first campaign for the governorship, Fortuño pledged to bring capital from abroad by tapping into high-net-worth individuals interested in investing on the island.

“For far too long, Puerto Rico let the rest of the world pass it by as it rested on its past economic laurels. We decided to change that and focus on Puerto Rico’s economic future instead of its economic past, and as a result, we are now seeing Puerto Rico’s economy slowly begin a transformation process into becoming a services hub that can, with time, place Puerto Rico once again on the path to long-term economic growth,”



The twin Act 20/22 incentives are responsible for practically the only bright economic news coming out of Puerto Rico these days. This year, the Economic Development & Commerce Department (DDEC) expects to lure a total 250 investors under Act 22, versus 155 in 2013. DDEC Secretary Alberto Bacó Bagué has called the legislation a game-changer for Puerto Rico’s economy.

said Fortuño, who is now a partner at the Washington, D.C.-based law firm Steptoe & Johnson LLP.

But it wasn’t clear exactly how that would be done. The task fell to his DDEC chief, Pérez-Riera, who headed all economic-development initiatives during Fortuño’s four-year term. Supporters say that Pérez-Riera, relying on his business experience and legal acumen, was adept at finding creative solutions that re-defined the role of Puerto Rico’s DDEC secretary. As the main architect and proponent of Acts No. 20 & 22 of 2012, Pérez-Riera championed the approval of these two laws, prepared the comprehensive sets of regulations and procedures that made the laws operational after their approval, and produced the marketing materials that are now being used extensively to promote them. He got

the word out to the local, national and international press on the new incentives, and went on several road shows with investors to explain the virtues of the laws that had been approved. He was the single voice that challenged naysayers and detractors of the laws at that time, explaining that they would someday transform our economy into a professional-services juggernaut—under the U.S. flag—that would eventually challenge Singapore in that regard.

“José Ramón [Pérez-Riera] worked around the clock to get these laws approved and make them operational in a very short period of time leading up to the election. He understood better than anyone how important these laws would be for Puerto Rico’s future, and he was on a mission to complete everything and at a level of quality that met his high

standards. I should say that although José Ramón’s self-imposed work ethic was legendary throughout our administration, he seemed to kick it up to another level to make Acts 20/22 a reality,” said former Gov. Fortuño.

It took three years until the laws were enacted in January 2012—three years after the fiscal and economic storm that the incoming Fortuño team inherited upon taking office in 2009—with the island’s stark challenges complicated by a worldwide fiscal crisis, pushing other priorities ahead of it.

Stabilization was the first order of business, and Pérez-Riera was one of the five members of the Fiscal Reconstruction & Stabilization Board established by Act No. 7 of 2009, through which the government of Puerto Rico was able to “save the house” and the government’s credit rating. The former DDEC secretary was also instrumental in the creation and implementation of Act No. 154 of 2010, which has generated more than \$6 billion to date and now accounts for about 20% of the total annual revenue of the Puerto Rico Treasury Department.

The Georgetown University-educated (as is Fortuño) banker and lawyer, who is bar-certified in Puerto Rico, New York, Florida and Washington, D.C., also held key positions within the previous administration as executive director of the Puerto Rico Industrial Development Co. and the Puerto Rico Trade & Export Co., heading all economic-development initiatives during Fortuño’s four-year term.

These included lowering taxes for companies and individuals alike through a comprehensive Tax Reform (Act No. 1 of 2011); establishing a public-private-partnership program to stimulate private sector investment in infrastructure (Act No. 9 of 2009); reducing government bureaucracy and modernizing Puerto Rico’s permitting process (Act No. 161 of 2009); establishing a renewable-energy policy for Puerto Rico along with an incentives program to stimulate its adoption (Acts No. 82 & 83 of 2010); establishing tourism, gaming, cruise industry and hospitality incentives (Acts No. 74 & 118 of 2010, Act No. 113 of 2011);

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stimulating the housing market (Act No. 132 of 2010, Acts No. 115 & 216 of 2012); converting Puerto Rico into an international finance center (Act No. 273 of 2012); and establishing incentives for film and creative services (Act No. 27 of 2011). Pérez-Riera also took on substantial infrastructure-improvement projects, such as his tenure's signature Bahía Urbana waterfront redevelopment project, which had been languishing for nearly 20 years before the completion of the first two stages of the project in 2012.

However, perhaps Pérez-Riera's greatest achievement while serving as DDEC secretary—and what may ultimately become the lasting legacy of his time in government—is the creation and implementation of Acts 20/22, providing incentives that would bring capital from abroad, and that allowed for Puerto Rico to position itself as a world-class services center. While the initial plan took shape in 2010, it wouldn't be until two years later that the laws were enacted.

At that time, the former administration was about to file the game-changing legislation that became Act No. 154 of 2010, which entailed long negotiations with U.S. Treasury Department and Internal Revenue Service officials to ensure the Act 154 excise tax's treatment as a foreign tax that could be credited against a payer's federal tax obligations. Given the importance of Act 154 to the administration's efforts to strengthen Puerto Rico's fiscal situation, Pérez-Riera had to keep his plans under wraps because of the negotiations with federal government officials. Also, for most of 2011, Pérez-Riera met with the top management of the affected companies, often traveling to their headquarters in the mainland U.S. and Europe to stabilize their reaction to the tax and maintain the partnership they have traditionally kept with Puerto Rico.

During the year, he was quietly gearing up the work for Acts 20/22, creating a small team to work on the closely guarded effort, including DDEC officials Edward Calvesbert, Adriana Ramírez and Roxana Cruz, who worked on crafting the laws and regulations, and Raúl Vidal and Luis Rodríguez, who worked on



“Puerto Rico is in the process of a great reinvention. We are at an inflection point and, after years of decline, asset values here are creating generational opportunities.”

—Nicholas Prouty, of Putnam Bridge Funding, who is betting hundreds of millions of dollars on Puerto Rico's turnaround



*Senate Finance Committee Chairman José R. Nadal Power filed legislation aimed at improving the Act 20/22 incentives.*

promoting the laws. The team also counted with a group of outside counsel that included Edgar Ríos (Pietrantoní Méndez & Álvarez in Puerto Rico) and José R. González-Magaz (Steptoe & Johnson LLP), who proved “instrumental” in the laws' creation.

Ríos, a partner at Pietrantoní Méndez & Álvarez, had nothing but praise for the former DDEC chief.

“There's a saying in Spanish that ‘success has many fathers,’ and that was the case with Acts 20/22. However, having been involved in the creation of these laws from the beginning, I can tell you that José Ramón is the real father of these laws,” Ríos noted.

“José Ramón led the outside counsel directly and every step of the way, and was immersed himself in the nuts and bolts of the process. He

figured out how to walk the line between incentivizing economic development and generating government revenue. He's also extremely hard-working. It was hard to keep up with him. Eventually, we became accustomed to his telephone conferences into the morning hours. If you consider the incentives he established and his contributions on the fiscal side, Pérez-Riera is the most effective secretary of Economic Development & Commerce that Puerto Rico has had to date,” González-Magaz added.

#### DODGING POLITICAL OBSTACLES

It was not only the full agenda, but also politics that slowed progress on the “transcendental” initiative. In fact, the Popular Democratic Party (PDP) minority at that time, now in the majority, opposed Act 22 when it was under consideration. Gov. García Padilla, San Juan Mayor Carmen Yulín Cruz, Senate President Eduardo Bhatia, House Speaker Jaime Perelló, Sen. José Luis Dalmau, Rep. Luis Vega Ramos, La Fortaleza Public Affairs Secretary Jorge Colberg Toro, Puerto Rico Federal Affairs Administration head Juan Eugenio Hernández Mayoral, PDP Electoral Commissioner Eder Ortiz Ortiz and former Sen. Sila M. González Calderón, all voted against the bill. Act 22 was approved by a final tally of 19 in favor and 9 against in the Senate, and 33 in favor and 16 against in the House.

Given the political opposition to the laws at the time, Pérez-Riera said the administration worked hard to ensure the Legislature understood their importance and were onboard with their approval, and he credits former Senate President Thomas Rivera Schatz as being their biggest supporter as well as instrumental in controlling and focusing the legislative process.

“Unfortunately, the Senate minority leadership at that time opposed these laws, and they were attempting to block me from achieving their approval. However, the laws were well-designed, with input from the Legislature from the beginning of the process, and I felt that it was important for Puerto Rico that they be approved. Time has now shown that we were right, and that those that

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opposed the laws were either wrong, or were playing politics with matters in which there is no space for politics, particularly given the difficult economic times we are experiencing,” Rivera Schatz said.

There was also resistance from within the administration, particularly by the Treasury Department. To win its support, the original legislation left out certain benefits that were added through later amendments, such as the concept of a tax decree for individuals benefitting from Act 22, as well as the inclusion of short-term capital gains in the tax exemptions provided in the law. The concept of a tax decree for individuals was significant because it was the first time it was done by the Puerto Rico government.

“As it turns out, we are lucky that the amendments were achieved, as the notion of a personal tax decree for Act 22 beneficiaries has been one of its strongest selling points, providing a guarantee that the benefits conferred shall remain in place up until the tax decree expires,” Pérez-Riera said.

#### GETTING THE WORD OUT

Because the laws were approved during an election year, officials endeavored to avoid having them turned into campaign fodder, and a low-key approach to promotion was taken.

Pérez-Riera believes that the private sector must take the lead to promote incentives for Puerto Rico to reap the best results from them, and he gathered a group of prominent professionals with national and international platforms from which to promote the laws. Besides González-Magaz and Ríos, Pérez-Riera tapped Francisco Cerezo (Foley & Lardner in Miami and New York), Inocencio Galindo (Morgan & Morgan in Panama), Juan Sabater (Valor Equity Partners in Chicago), Letty Brunet González and Francisco Díaz Fournier (Christie’s International Real Estate), and various other professionals who were in a position to tap into their existing clients and marketing networks to provide information on the laws.

“Quite frankly, the results were remarkable, as our clients understood the allure and benefits of the incentives. Indeed, many have indicated



“We are investing here because we think we are getting involved on the ground floor. We will be looking for other investments in Puerto Rico. We like Puerto Rico and we intend to have a long-term position on the island.”

— John Paulson, founder & president of hedge-fund firm Paulson & Co.



*A crowd of well-heeled investors attended a recent Act 20/22 Society activity at the Dorado Beach, A Ritz-Carlton Reserve property (top). Society President Robb Rill, shown above with his wife, said its members “believe in the idea of giving back to the community that provides us with so much opportunity. We are setting up a foundation as a formal way to contribute to Puerto Rico.”*

that they themselves have become promoters of the benefits of Acts 20/22 with their friends, families and business colleagues, which

means that you are reaching exactly the types of individuals the laws are targeting,” said Cerezo, who in 2012 was selected as one of the “50

Influentials” by Hispanic Business Magazine, and is considered one of the leading cross-border attorneys among global law firms with a focus on Latin America.

“Pérez-Riera did a great job of putting these laws together, but just as important, the marketing and promotional materials he created were world-class. The rollout was on par to significant and successful efforts we have seen in other jurisdictions such as Panama, Singapore and Dubai. The level of commitment and competence that he brought to the position of secretary of Economic Development & Commerce was outstanding and certainly essential to the conception, creation and rollout of Acts 20/22,” Cerezo continued.

“It really was a stroke of genius to put such a program in place, and we have been promoting it ever since with great results for our clients and Puerto Rico,” added Brunet González, who believes that Christie’s International Real Estate is poised to help accelerate the pace of adoption of the incentives.

#### AN ECONOMIC GAME-CHANGER

The low-key but effective initial promotional approach has been scaled up by the García Padilla administration, forming a core strategy employed by DDEC Secretary Bacó in his efforts to bring back sustainable economic development to the island. The financiers and entrepreneurs moving to the island to cash in on big tax savings are expected to invest \$10 billion in Puerto Rico by 2017, he said.

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"The smart money knows that Puerto Rico's financial future doesn't hinge on what has happened in the past, but on what is happening now," Bacó said.

Big feature news reports on the incentives have been published in the New York Times and Bloomberg BusinessWeek, among other key media outlets, and hundred of potential investors and clients gathered at the first Puerto Rico Investment Summit earlier this year, where they were told that Puerto Rico is the new land of opportunity. With exponential growth of Act 20/22 beneficiaries expected to continue, it is clear that many investors are getting the message.

Some of the most passionate testimonials for Puerto Rico's economic opportunities are coming from investors themselves, including Paulson of Paulson & Co. and Nicholas Prouty of Putnam Bridge Funding, who are betting hundreds of millions each on Puerto Rico's turnaround.

"We are investing here because we think we are getting involved on the ground floor," Paulson told investors at the Summit, and famously predicted that Puerto Rico will become "the Singapore of the Caribbean."

"Puerto Rico is in the process of a great reinvention. We are at an inflection point and, after years of decline, asset values here are creating generational opportunities," Prouty added in a recent speech.

Acts 20/22 are not only here to stay, but are also slated to be fine-tuned so that they are even a greater lure for investment.

Senate Finance Committee



*Marcos Rodríguez-Ema, former chief of staff under Fortuño, stressed that these laws are not about politics, but rather economic development.*

Chairman José R. Nadal Power has authored legislation to improve both incentive laws and expects his initiatives to be approved this term.

One proposed change would significantly expand the universe of potential investors under Act 22 by shortening an eligibility requirement that potential beneficiaries couldn't have lived in Puerto Rico for the past 15 years to only six years. The change is aimed at luring back home some of the talented Puerto Ricans who have left the island during the years-long economic downturn that began in 2006. Detractors of the move say that with the monumental pool of existing potential beneficiaries, there is no need to change the law to make it applicable to a few individuals that may yet return to Puerto Rico without the lure of the incentives.



*Former Gov. Luis Fortuño worked with Pérez-Riera to make Acts 20/22 and their tax incentives a reality during his four-year term.*

Another aspect of Nadal Power's proposal would exempt investors benefiting under Act 22 from Puerto Rico's "forced inheritance rules," which leave very little discretion to the wealthy individual on how he or she wants to distribute accumulated wealth after his or her death. For example, Puerto Rico law spells out minimum portions of the estate to which the widowed spouse and heirs are entitled. The forced inheritance rules also apply to Puerto Rico real estate owned by nonresidents.

Puerto Rico law impedes the effective utilization of tax strategies aimed at minimizing federal inheritance taxes, which still apply to investors who move here, and could invalidate many of the trusts these individuals established outside the island. The changes would recognize



*Sen. Thomas Rivera Schatz, former Senate president under Fortuño, was "instrumental" in the legislative process of Acts 20/22.*

trusts and wills established outside of Puerto Rico.

Another proposal would widen the number of professional services that could qualify for Act 20 incentives.

Nadal Power said the proposed changes are very important to the Acts 20/22 community on the island and would significantly strengthen the twin incentives program.

"The laws have already been very successful, and these changes are aimed at making them even more attractive," Nadal Power said. "They are an important part of our economic-development strategy and can help Puerto Rico fulfill its potential to become a hub for new professional-service businesses." ■

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## Where are the jobs behind Laws 20 and 22?

The Act 20/22 Society, the organization created by hedge-fund manager Rob Rill to help guide the long line of investors arriving in Puerto Rico and taking advantage of tax incentives tied to Acts No. 20 & 22 of 2012, seems to have its hands full these days. The Society recently held its second annual meeting at Dorado Beach, a Ritz-Carlton Reserve, to provide guidance—finding homes and schools—to the increasing rolls of investors who have moved to Puerto Rico seeking Acts 20/22 tax decrees.

The nearly 300 investors who have already jumped on the bandwagon set in motion by hedge-fund king John Paulson and Nicholas Prouty is but the tip of the iceberg. There are more than 250 additional hedge-fund managers and investors who are eager to take advantage of Acts 20/22.

The truth is that the incentives contained in both laws—the elimination of all federal taxes on passive income that accrues after moving to the island under Act 22 and a flat 4% tax on companies that export their professional services from Puerto Rico under Act 20—are offers too good to refuse.

To its credit, Gov. Alejandro García Padilla's economic development team has made quick work drawing scores of investors from North and South America to set up their main residence in Puerto Rico. They are to be commended for continuing the work that was begun under the previous administration of former Gov. Luis Fortuño.

That is the sort of bipartisan continuity that helped transform Puerto Rico from the poorhouse of the Caribbean into an industrial powerhouse in the 1950s and 1960s, when Operation Bootstrap—which had commenced under Puerto Rico's first elected Governor, Luis Muñoz Marín—was continued under former Gov. Luis A. Ferré.

So it has been with Acts 20/22. The two tax-incentive laws were conceived under the Fortuño administration by former Department of Economic Development & Commerce Secretary José Ramón Pérez-Riera, who armed them with procedures to make them effective and produced the marketing materials being used today.

In an exclusive interview with CARIBBEAN BUSINESS, Acts 20/22 mastermind Pérez-Riera explained that the incentives must be seen “as part of a long-term strategy that needs to be maintained for decades rather than years to fulfill their transformative potential.”

Now, nearly 18 months after García Padilla took office, Pérez-Riera's vision is coming true with nearly 300 wealthy investors who have set up residency in Puerto Rico. Some are already making local investments.

Among those investments are huge projects backed by Paulson, who has seemingly taken up most of Puerto Rico's distressed beachfront properties. Paulson's most publicized purchases of prime real estate are the Vanderbilt Hotel, which he acquired for almost 30 cents on the dollar, and the St. Regis Bahía Beach Resort, where he also bought a majority stake for far less money than the property is worth. However, he has also invested in their new growth.

At this writing, the reviews on Acts 20/22 are mixed because the hundreds of jobs that have been pledged aren't enough. Puerto Rico needs tens of thousands of jobs created to help its economy climb out of its decade-deep depression.

Acts 20/22 will fully benefit Puerto Rico when these investors fully buy into the island. That means moving here with their families—as Prouty, Rill and many others have done. And it means they will have to invest to create infrastructure that will generate the tens of thousands of jobs that will turn this terrible economy around. ■

## Obama's flawed guardians

BY CLARENCE PAGE

There's a lot of paranoia going around these days, as the Secret Service slips from its former position of glory to its new status of being unfavorably compared to the Keystone Kops.

Paranoids don't allow themselves to believe in coincidence or simple ineptitude, as they see plots behind every catastrophe. In the case of the men and women assigned to protect the nation's first African-American president and his family, the paranoia runs particularly deep in black communities.

I've heard it, and so have black members of Congress like Rep. Elijah Cummings, a Maryland Democrat and ranking member of the House Oversight Committee, which oversees the Secret Service. Cummings' declaration that agency Director Julia Pierson had to go, sealed a rare moment of bipartisanship in today's Congress. Pierson resigned.

As someone who has worked in or near the White House for a couple of decades, I, too, had a hard time believing the level of incompetence displayed by such episodes as that of fence-jumper Omar González. The mentally ill former sniper climbed a very high fence, darted across the North Lawn, entered the, oddly, unlocked front door, ran around the first floor and headed toward the stairs to the second floor, where the presidential living quarters are located—before he was tackled by a Secret Service agent—who happened, as it turned out, to be off-duty.

Even “missile dog,” the legendary pooch trained to tackle intruders on the lawn, was held back for the lamest of excuses: officers feared the dog might attack the wrong person.

This episode was the latest in a string of scandalous security breaches. One man fired a weapon at the White House, for example, only to have the gunshots initially downplayed as an automobile backfiring.

I would feel more reassured by Pierson's resignation if I didn't also know that she was the woman who was enlisted back in March of last year to clean up after earlier snafus. Those fiascos included an unauthorized Secret Service agent party in Colombia with prostitutes. Maybe Pierson's replacement will get the job right—or maybe the service's problems run deeper.

Meanwhile, the slip-ups and snafus touched particularly sensitive nerves in African-American communities, as I recently learned during call-in programs on black-oriented radio stations.

Asked about the possibility of an internal plot to kill Obama, I answered sarcastically that if there were such a plot, the conspirators surely would have been more competent than the clown show we have witnessed so far.

But neither sarcasm nor an absence of evidence can spoil an attractive conspiracy theory. Suspicions of a plot against Obama are “widespread in black circles,” Rep. Emanuel Cleaver of Missouri told the New York Times.

Unfortunately, there's always some germ of truth—or something that sounds like it—at the core of conspiracy theories. The rumor of a Secret Service plot or negligence toward Obama, for example, is fed by such actual conspiracies as late FBI Director J. Edgar Hoover's secret efforts to topple Martin Luther King Jr., among other black freedom movement leaders.

I think the right question to ask in the Secret Service snafus is why so many of their details were kept secret, even from the president, until the agency couldn't sit on them any longer.

Sure, they're supposed to be a “secret” service, but not from the president they're assigned to protect. ■

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