INCENTIVE PROGRAMS

**Definition**

**Act 20-2012**

Act 20 is a program that incentivizes Puerto Rican companies to export services to other jurisdictions. Act 20 is not limited to foreign corporations.

**Act 22-2012**

Act 22 is a program which incentivizes individuals to relocate to Puerto Rico. Act 22 does not require a set amount of capital, thus, is not limited to “high-net-worth individuals”.

**Benefits**

Benefits from both Acts:

- Make possible **technology transfers** to local firms.
- Provide a means for Puerto Rico to project itself internationally as a **business-friendly jurisdiction**.
- **Act 20** is particularly important in easing the transition to an export and advanced services economy.

**Opportunities**

- The economic impact of both Acts goes beyond the direct effects of job creation and real estate investments. The synergies of both programs, and the intangible effects must not be overlooked.
- Program participants are engaged in the local economy and direct effects includes tangible and intangible benefits: fiscal revenues, new jobs, real estate investments, participating in the local entrepreneurial ecosystem, knowledge and technology transfer, collaboration with local businesses and new investment opportunities for local business seeking capital.

The new Incentives Code creates favorable conditions for the attraction of new investment from abroad, as well as increasing Act 20 and Act 22 decrees.

By 2029, there should be more than 6,000 decrees under Act 22 and more than 5,000 decrees under Act 20. The estimates can change due to economic conditions in the U.S. and changes in legislation both in Congress and locally.

If an Act 22 individual establishes a business operation in Puerto Rico, and that business export services to other jurisdictions, then the combination of both acts is what drives economic growth and provides the greatest benefit to the economy.

Both programs are strongly intertwined. Several Act 20 companies have brought in top executives from other jurisdictions to direct their export operations; and multiple Act 22 individuals have started to export services from Puerto Rico, using local resources.

Such businesses are mainly concentrated within the services industry, which allows for easier and more agile forward and backward linkages.

The multiplier effects of these synergies is what drives economic development in the medium and long term.
The economic impact of Act 20 has consistently grown. Total jobs have increased from 7,400 to 36,222 jobs.

Total investments have grown from almost $500 million in 2015-2016, to over $1.2 billion.

Exporting companies have increased their total sales. The export market for Puerto Rico has become an untapped opportunity for local companies.

Fiscal revenues have increased in all areas.

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**LOCAL BUSINESSES**

Around 35% are estimated to be locally owned businesses.

**EMPLOYMENT BY ACTIVITY**

The consulting sector generates 40% of all employment on eligible activities. Specialized Business Services generate the highest average salaries, at over $123,000 in eligible activities.

**INVESTMENT**

Act 20 grantees promised to invest over $1,261,904,086 million.

**MUNICIPALITIES**

Almost 65% of Act 20 grantees are located within the Municipality of San Juan. Guaynabo, Dorado, Humacao and Carolina are also within the Top 5.

**JOBS CREATED**

Direct Jobs from Eligible and non Eligible Activities: more than 16,500

Direct, Indirect and Induced Jobs from All Activities: more than 36,000

**PAYROLL**

Each decree essentially supports $355,000 in payroll for 10 employees at an average salary of almost $36,000.

**EXPORT DESTINATION**

85% of Act 20 grantees reported the U.S. mainland as their main export destination.

**COUNTRY OF ORIGIN**

United States.

Florida and California represent almost 40% of all grantees.

**BUSINESSES**

Almost 35% of all Act 22 grantees have a business operation in Puerto Rico.

**MUNICIPALITIES**

Almost 50% of Act 22 grantees have their main place of residence within the Municipality of San Juan. This is followed by Dorado (10%).

**NO BILLIONAIRES**

Data shows that more than 81% of all Act 22 grantees have a net worth of less than $10 million. Only a mere 4% have a net worth of over $50 million.

**ECONOMIC IMPACT**

- Their businesses would generate almost 4,400 jobs.
- Only 37% of grantees planned to transfer capital. Act 22 grantees planned to make over $679 million in capital investment.
- The value of purchased real estate was slightly above $1.3 billion.
- Close to 68% had purchased a property, while 32% currently rent a property in the island.