



A CORPORATE BAILOUT CONGRESS SHOULD STOP

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(Word Count: 636 Words)

With nearly half its residents living below the poverty line, if Puerto Rico were a state, it would be the poorest in the union. Its per capita GDP is significantly less than Mississippi's and unemployment hovers around 15%.

Yet, as a Territory, it's ineligible for much of the federal aid states receive. The most recent Census figures confirm that it gets \$4,260 per person in federal spending compared with \$8,339 for the average state.

To help make up the difference, Washington has allowed Puerto Rico and the Virgin Islands to keep the federal excise taxes collected on the rum each of them produces -- last year, about \$370 million that helped build clinics and schools and pay the salaries of teachers, nurses and librarians. Since 1917, the rum tax rebates have also preserved 18,000 acres of land on the island.

It's against this backdrop that a British liquor conglomerate, Diageo, is staging a raid on Puerto Rico's rum tax rebates.

For several years, the USVI has sought to lure away one of Puerto Rico's best-selling rums, Captain Morgan -- and with it, the rum tax rebates from its sale. Last summer, the USVI offered Diageo a deal that's hard to turn down: almost half the rum taxes collected on the sale of the popular Captain Morgan Rum for the next 30 years -- about \$2.4 billion.

Under the deal, the USVI will use its future rum tax revenues to finance construction of a state-of-the-art distillery on St. Croix, plus give back at least 43% of future rum tax revenues for "marketing support" and "production expenses." That's in addition to a 90% corporate income tax break and a full exemption for property and gross receipts taxes.

What will American taxpayers get back in return? No more than 40 jobs at Captain Morgan's new St. Croix distillery, not a single one required to be paid above minimum wage.

Meanwhile, the Puerto Rican rum industry would be decimated. Captain Morgan's existing distillery will have to lay off upwards of 410 workers, many of whose families have worked there for generations. "It's not just good-paying jobs, it's the theft of our culture and history," says ___ of Unite Here Local 601, which represents the distillery workers.

The lavish benefits being financed by the rum tax rebate are just one more example of U.S. tax dollars being siphoned off from people who need it to corporations that don't -- in this case, a British conglomerate.

The deal also threatens to touch off a bidding war between the two Territories that could jeopardize the 92-year old rum tax rebate itself. After all, if 50 cents of every excise tax dollar sent to the islands is being funneled back to the distillers themselves, what's the point?

The deal also puts the U.S. government in the position of subsidizing one brand at the expense of the others.

Captain Morgan is already the second-biggest seller of rum in the United States, with a rapidly-rising share of a growing rum market. With a multi-billion-dollar package of marketing and tax subsidies, it would have an enormous market advantage over all of its competitors -- one that's funded by tax dollars.

There's no telling why Congress signed off on an extension of the rum tax rebate late last year without thoroughly investigating the USVI bailout of Captain Morgan, but there's still time for Washington to put a stop to it.

Legislation now pending, H.R. 2122, would ensure that the rum tax rebate is used for social needs, not corporate bailouts. It would put a 10% cap on the amount of tax rebate funds that could be given back to the distillers themselves.

Congress should pass the bill, H.R. 2122. The rum tax rebate was intended to provide for the social needs of poor people in the U.S. Territories, not foreign corporations.

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