



Estado Libre Asociado de Puerto Rico
DEPARTAMENTO DEL TRABAJO Y RECURSOS HUMANOS

January 20, 1999

Dear Mr. Vélez:

Re: Inquiry No. 14556

This is in reply to your inquiry pertaining to Act No. 74 of June 21, 1956, as amended, known as the Puerto Rico Employment Security Act; and to Act No. 139 of June 30, 1968, as amended, known as the Disability Benefits Act. The stated purpose of your inquiry is "to request a ruling in connection with the unemployment and disability insurance wage base limitations covered by a predecessor employer with respect to a successor employer."

In the specific case you describe, the predecessor, a manufacturing corporation with an election under Section 936 of the United States Internal Revenue Code, decided to create a new foreign corporation for the purpose of transferring the predecessor's operations, without interruption, to the successor. The relevant facts are the following:

The operations carried out by the Successor are identical to the ones previously conducted by the Predecessor. Successor acquired all the property previously held by Predecessor and the manufacturing operations continue [to] take place in the same facilities Predecessor used. Furthermore, Successor continues to employ all of Predecessor's employees.

The unemployment and disability insurance payments made pursuant to the Puerto Rico Employment Security Act of 1956, as amended (hereinafter referred to as the "PRESA") and the Disability Benefits Act of 1968, as amended (hereinafter referred to as the "DBA") by Predecessor already covered the \$7,000 and \$9,000 annual taxable wage base, respectively.

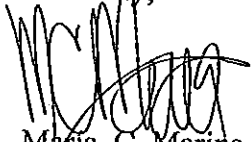
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Based on the above facts, we hereby respectfully request your determination with respect to the payments made by [the predecessor employer] for purposes of computing the unemployment and disability insurance wage base limitations of [the successor employer].

We have given careful consideration to the facts in this case as presented. As you point out, rulings issued under Federal law on analogous cases, although not binding, are accorded great weight in applying Puerto Rico law. The fact that Puerto Rico is part of the Federal-State Employment Security System, as you note, makes a compelling case for conforming to the Federal counterpart. Indeed, we believe a contrary approach would be inequitable. Specifically, failure to credit previous payments made by the predecessor employer would result in collections in excess of the \$7,000 and \$9,000 unemployment and disability wage limitations, respectively, without accruing any additional benefits to the employees, whose benefits are limited by law to those levels. Accordingly, it is our determination that the payments made by the predecessor employer in this case should be taken into account in computing the \$7,000 and \$9,000 unemployment and disability insurance wage base limitations, respectively, of the successor employer.

We trust the foregoing is responsive to your inquiry.

Cordially,



Maria C. Marina Durán
Solicitor of Labor