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MEMORANDUM

TO : Clients and Friends

FROM : Labor and Employment Law Department of McConnell Valdés

RE : Senate Bill No. 268

DATE : June 29, 2005

On June 23, 2005, the Senate approved Senate Bill No. 268. This Bill seeks to amend Act 148 of 1969, known as the Annual or Christmas Bonus Act, to increase the amount of the annual bonus payable to employees of companies with twenty-five (25) or more employees.

Currently, under Act 148, employees who work at least seven hundred (700) hours during the period from October 1 of any year until September 30 of the following year are entitled to receive a bonus of 2% of their total salary earned during such period up to ten thousand dollars (\$10,000). Thus, the maximum amount of the bonus payment currently required by the Act is two hundred dollars (\$200) or (\$10,000 x 2%).

Under the proposed amendments of Senate Bill 268, employees of companies with twenty-five (25) or more employees who satisfy the seven hundred (700) hours requirement would be entitled to receive: a bonus of 3% of their total salary up to ten thousand dollars (\$10,000), for the bonus payable in the year 2006; a bonus of 4% of their total salary up to ten thousand dollars (\$10,000), for the bonus payable in the year 2007; and a bonus of 4% of their total salary up to twelve thousand five hundred dollars (\$12,500), for the bonus payable in the year 2008 and thereafter.

Senate Bill No. 268 is pending consideration by the House of Representatives as well as a similar House Bill No. 878 which has yet to be voted upon by the House of Representatives. Employers in the industrial and tourism sectors have voiced their objections to these bills because of their adverse economic impact.

If you have any questions, wish additional information regarding this matter, or require assistance in submitting comments or objections before the House of Representatives or the Executive Branch regarding Senate Bill No. 268 and House Bill No. 878, please contact any of the attorneys in the Labor and Employment Law Department of McConnell Valdés.

McV LABOR AND EMPLOYMENT LAW DEPARTMENT

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