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BY ELECTRONIC MAIL

April 18, 2020

The Honorable Francisco Parés-Alicea
Secretary
Treasury Department
Government of Puerto Rico

Re: Administrative Determination 20-XX (“Prepared Foods” Sales Tax Exemption)

Dear Secretary Parés-Alicea:

In accordance with the rules, regulations, administrative orders, and executive orders review policy of the Financial Oversight and Management Board for Puerto Rico (“FOMB”) established pursuant to Section 204(b)(4) of PROMESA, we have reviewed a proposed Administrative Determination, which would extend the temporarily exempt sales tax payment on “*Prepared Foods*”¹ for the period of April 20, 2020 to May 31, 2020.

After reviewing the proposed Administrative Determination, the FOMB designates it as “Approved” only to the extent that the exemption proposed therein shall be in effect until May 3, 2020, to be concurrent with the extension of the closure of all businesses and the curfew as established by the Government during the emergency declaration. As stated in the proposed Administrative Determination, this exemption will not apply to “alcoholic beverages”.

Please note that our review is solely limited to the compliance of the proposed Administrative Determination with the applicable fiscal plan and budget and no other matters. For the avoidance of doubt, the review performed by the FOMB does not cover a legal review under applicable laws, rules, and regulations, both federal and local, including without limitation, compliance with any applicable labor laws, rules and regulations. Any material change to the proposed Administrative Determination must be submitted beforehand to the FOMB for its review. The FOMB may also re-evaluate its assessment upon significant changes in circumstances.

This review was conducted on the basis of information submitted by the Government of the Commonwealth of Puerto Rico. The FOMB has not independently verified the information included in the submission. Should the FOMB become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.

¹ *Prepared Foods* as defined on Section 4010.01 of the Puerto Rico Internal Revenue Code of 2011, as amended, which include “prepared foods”, “carbonated drinks”, “confectionery products” and “sweets”.

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This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information not available when the review was conducted. In addition, during the course of our review, we may receive information which we may determine to refer to the relevant authorities.

This letter is issued only to the Puerto Rico Treasury Department and solely with respect to the proposed Administrative Determination.

Sincerely,

A handwritten signature in black ink, appearing to read "Jaime A. El Koury". The signature is stylized with a large initial "J" and a long, sweeping underline.

Jaime A. El Koury
General Counsel