

FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO



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BY ELECTRONIC MAIL

June 9, 2020

The Honorable Wanda Vázquez Garced
Governor of Puerto Rico

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

The Honorable Carlos J. Méndez Núñez
Speaker of the House of Representatives of Puerto Rico

Dear Governor Vázquez Garced, President Rivera Schatz, and Speaker Méndez Núñez:

We have become aware that a revised version of Senate Joint Resolution 534 (“SJR 534”) was recently approved by the Senate. As revised, SJR 534 proposes, among other things, a 50% reduction of the excise tax imposed by Section 3020.08 of Act 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico” (“PRIRC”) for a period of 120 days on the sale of any automobile vehicle, new or used. The proposed reduction would be applicable to existing inventory as well as to the sale of any new or used automobile vehicle imported during that period. The 120-day period would commence from the date the Governor authorizes the opening of the automobile sales industry. SJR 534 provides that excise taxes paid prior to the sales transaction could be claimed as a credit.

As was the case with the original version, SJR 534 does not provide for an effective payfor to counter its effect on the Commonwealth’s tax revenues. As required by the Certified Fiscal Plan, to ensure revenue neutrality, the implementation of any tax reduction initiatives requires a payfor and must occur sequentially, with the Government ensuring that such initiatives are paid for before approval of the same. Therefore, revenue reductions must be accompanied by specific offsetting savings and/or increase in revenue measures of a sufficient amount identified in the enabling legislation.

While SJR 534 aims to provide relief to the automobile sales industry in the context of the COVID-19 emergency by encouraging consumers to purchase vehicles at a lower price, automobile sales

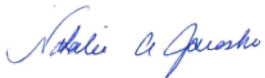
Honorable Wanda Vázquez Garced
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are neither directly nor indirectly related to the prevalent COVID-19 emergency. Therefore, SJR 534 does not address any primary social, economic or health-related need.

Accordingly, the Oversight Board urges that SJR 534 not be approved by the House of Representative nor signed by the Governor.

The Oversight Board believes that the health and safety of the people of Puerto Rico must be the number one priority at this time, and will provide appropriate and needed support for those affected by COVID-19, those fighting the virus at the frontlines, and those affected by the Government's response to the emergency. The Oversight Board will continue to work closely with the Governor, the Legislature, and the municipalities to mitigate the crisis to the extent possible. The Oversight Board reserves all its rights to nullify and enjoin enforcement of legislation pursuant to PROMESA sections 204(a) and 108(a)(2).

Sincerely,



Natalie A. Jaresko

CC: Mr. Omar Marrero Díaz