



Powering Business Worldwide

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Christopher D. Hess
Director, Public Affairs

September 2, 2016

The Honorable Orin Hatch
Chairman
Congressional Task Force on Economic Growth in Puerto Rico
104 Hart Office Building
Washington, DC 20510

Re: "Puerto Rico Oversight, Management, and Economic Stability Act" and
Considerations to Promote Economic Growth for Puerto Rico

Dear Senator Hatch:

Thank you for the opportunity to provide recommendations to the Congressional Task Force on Economic Growth in Puerto Rico. Eaton is providing these brief comments to the Task Force in order to promote long-term economic growth and attract investments in Puerto Rico.

Eaton is a global technology leader in power management, providing solutions that help customers manage effectively, safely and sustainably, electrical, hydraulic, and mechanical power. Eaton has approximately 96,000 employees and sells products to customers in more than 175 countries. Eaton has four facilities in Puerto Rico, including Arecibo, Canovanas, Coamo and Las Piedras, with a total of approximately 1,700 workers. These manufacturing facilities produce electrical products for customers in Eaton's global markets. Eaton has a history of almost 50 years of commitment to Puerto Rico.

Eaton and other manufacturers operate in highly-competitive power management industries, and must carefully and prudently manage costs to remain competitive. The continuously evolving legislative and budget situation make it impossible to accurately predict Eaton's costs for manufacturing in Puerto Rico. As an example, Eaton did not anticipate the enactment of the Puerto Rico Act 154 Effectively Connected Income / Excise Tax during 2011 or the subsequent modification and extension of this law.

Eaton is open to share its experiences and ideas on ways to provide certainty and stability to Puerto Rico manufacturers including, but not limited to:

- Continued application of local incentive laws (such as Puerto Rico Act 135 and Act 73)
- Reintroduction of IRC Sec. 936 or a similar provision
- Assurances that any modification, extension, or replacement of the Puerto Rico Act 154 Effectively Connected Income / Excise Tax or current Sales / Use Tax laws will not result in an incremental tax burden for Puerto Rico manufacturers

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Eaton believes that any policy discussions should take the long view to financial stability for Puerto Rico while accounting for the competitiveness of manufacturers and providing clarity to enable future investments in the Commonwealth.

We look forward to following the work of the Congressional Task Force on Economic Growth in Puerto Rico and would be happy to provide further input and feedback. Please feel free to contact me at christopherdhess@eaton.com.

Thank you for your time and consideration.

Sincerely,



Christopher D. Hess
Director, Public Affairs