

Under current law, any excise tax collected on rum imported into the United States is transferred (*i.e.*, “covered over”) to the Treasuries of Puerto Rico and the U.S. Virgin Islands. With regard to Puerto Rico specifically, each year the rum cover over results in hundreds of millions of dollars in additional revenue for the island. A large portion of that revenue is used for economic development and can be put toward Puerto Rico’s general expenditures.

Presently, there is an excise tax of \$13.50 per spirit gallon on all rum sold in the United States. \$10.50 of that is covered over to Puerto Rico; since 1999, an additional \$2.75 has been added to this cover over, bringing the total to \$13.25. This increased cap on the cover over results in millions of dollars in additional revenue to Puerto Rico each year that has the potential to spur sustainable long-term economic growth, create jobs, and attract additional investment. Note too, a portion of this additional revenue (\$.46 per spirit gallon) is used to help fund the Puerto Rico Conservation Trust, which was established by agreement between the Governor of the Commonwealth and the U.S. Secretary of the Interior in 1968 and plays a critical role in supporting both governments in the areas of nature conservation, historic preservation, and public education. Importantly, supporting such activities has the potential to lead to an increase in eco-tourism on the island, which in turn has the potential to result in additional revenue for Puerto Rico.

Unfortunately, the additional revenue resulting from the \$2.75 increase in the cap on the cover over will soon be unavailable to Puerto Rico, as the “tax extender” allowing for this increase is set to expire on January 1, 2017. Permanently removing the entire cap on the cover over rate will provide much-needed certainty as Puerto Rico works to address its fiscal crisis and secure critical funding to use for purposes of economic development and conservation. As such, especially given the time-sensitive nature of the issue, we ask that in providing your status update to the House and Senate on those issues the Task Force deems need to be urgently addressed, that you recommend Congress consider permanently removing the cap on the rum cover over. The suggested legislative language is attached.

As the Task Force moves forward with its work, including as you prepare your report to Congress, we encourage you to consider our recommended changes to federal law, which will remove existing impediments to economic growth in Puerto Rico at a critical time for the island.