

**TAX ALERT**  
**BACK TO SCHOOL TAX-FREE HOLIDAY**  
**June 1, 2009**

As previously reported, Act No.111 of July 15, 2008 introduced a Back to School Tax-Free Holiday exempting certain articles from the municipal and state sales and use taxes (i.e., at a combined rate of 7%) during the back to school season. Please be aware that several bills under consideration, if enacted, would modify the current provisions before the effective date of the Back to School Tax-Free Holiday, Monday, July 13, 2009.

The main problem to be addressed by the legislation is that, as enacted, the tax-free period runs from the second Monday through the second Wednesday of July of each year. However, in 2009, the second Monday of the month of July is followed by the **third** Wednesday of the month of July.

Senate Bill 760 would change the tax-free period to run from July 15 through July 17 of every year. Also Senate Bill 760 proposes other technical amendments that, among other matters, would reduce the dollar amount of certain exemptions.

House Bill 1560 proposes technical corrections to the tax-free period. If enacted, the Back to School Tax Free Holiday would run from the second Monday through the next Wednesday of July each year. As Senate Bill 760 does, House Bill 1560 proposes technical amendments that would reduce the dollar amount of certain exemptions.

Further, the Department of the Treasury and the Department of Consumer Affairs are empowered to adopt the regulations for the Back to School Tax-Free Holiday. Although the agencies are reportedly working on such regulations, to date they have not been issued.

Whether the situation will prevent the application of the first Back to School Tax-Free Holiday, will require legislation, or may simply be corrected via an administrative pronouncement or regulation, is yet to be determined.

As we stand today, the Back to School Tax-Free Holiday is set to apply to retail sales made during a tax-free period that commences on Monday, July 13, 2009. The following is a summary of the articles that would be exempt from the 7% sales and use tax:

- 1. General use clothing with a sales price of \$100 or less per garment or article. This exemption will apply regardless of how many items are sold in the same receipt or invoice.**

Certain items such as costume masks, belt buckles, protective gear (i.e., helmets, face masks, sterilized clothing, ear protectors, security gloves, security goggles and security belts) and sports and recreation equipment not suitable for general use.

**2. Computers, computer software and educational materials for computers having a total sales price of \$750 or less including laptops, desktops and peripherals.**

If the computer system's sales price is more than \$750, the excess would be subject to the sales and use tax.

**3. School, art, and educational materials up to a sales price of \$50 per item.**

This exemption only covers the following items:

- Folders
- School bags
- Calculators
- Adhesive tape
- Chalk
- Compasses
- Notebooks
- Crayons
- Erasers
- Envelopes
- Liquid glue and glue sticks
- Index cards
- Markers and highlighters
- Index cards and storage boxes for index cards
- Lunch bags
- Loose leaf paper, copy paper, construction, graph, tracing, manila, cardboard and colored paper
- Pencils and boxes for school supplies
- Pencil sharpeners
- Pens
- Protractors
- Rulers
- Scissors
- Molding clay and glazes
- Acrylic, tempera and oil paints
- Paintbrushes
- Watercolors
- Maps and world globes
- Pencil cases
- Textbooks as required by an official list of textbooks from an educational institution

**4. Books with a sales price of \$200 or less per book, excluding newspapers, magazines and journals.**

If the sales price exceeds the \$200 limit, such excess will be subject to the sales and use tax.

Finally, during the Back to School Tax Free Holiday special rules and instructions apply for:

- Special offers
- Lay-Aways
- Discounts
- Rebates
- Rain checks
- Gift certificates
- Transportation fees

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- Sales made by the internet, mail or telephone
- Returns of merchandise
- Differences in the time zones where seller and purchaser are located
- Records and reports

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