

February 28, 2000

INFORMATIVE BULLETIN NO. 2000-02

ATTENTION: 936 CORPORATIONS

On February 7, 2000, this Department issued Informative Bulletin No. 2000-01 (IB 00-01) clarifying the scope and terms of Informative Bulletin No. 99-08 (IB 99-08), and providing the conditions for an extension to file the closing agreement. However, after the issuance of IBs 99-08 and 00-01, information has been submitted to this Department as to the possible detrimental effect of certain limitations therein on a significant number of 936 corporations. As stated in IBs 99-08 and 00-01, the purpose of this Department in providing such rules was to, by the authority vested upon the Secretary by Section 1042(g) of the Puerto Rico Internal Revenue Code of 1994, as amended (the Code), allow 936 corporations to claim a partial deduction for federal income taxes paid or accrued on Puerto Rico source income, that is, to provide a tax benefit to such corporations to ameliorate the possible double-taxation of Puerto Rico source income by reason of the limitations imposed by Congress on the creditability or deductibility of Puerto Rico income taxes for federal income tax purposes.

This Department is analyzing the arguments posed by the 936 corporations to determine if IB 99-08 will be modified as it relates to the limitations for the allowance of the deduction. A revised bulletin shall be issued on or before March 6, 2000 based on the results of our analysis. We can, however, anticipate that the revised bulletin will extend the due date to submit the draft of the closing agreement to a date not earlier than May 1, 2000. Accordingly, it will not be necessary to file an intention-to-file letter on or before February 29, 2000.

Remember, Hacienda is at your service.

Xenia Vélez Silva