



MEMORANDUM TO CLIENTS AND FRIENDS

September 13, 2006

Retirement Plans Update - Part VII

Business Registry - PR Treasury Issues Guidance for Retirement Plans

As a sponsor or administrator of a qualified retirement plan you may have recently received a notice from the Puerto Rico Treasury Department (the “PR Treasury”) informing you that the trust funding a retirement plan is required to register with the PR Treasury’s Business Registry.¹ Pursuant to the provisions of the Puerto Rico Internal Revenue Code of 1994, as amended by Act No. 117 of July 4, 2006 (“Act 117”), individuals and entities (including trusts, estates, associations, and non-profit organizations) that are engaged in a trade or business in Puerto Rico or sell taxable items² are required to register with the PR Treasury’s Business Registry before November 15, 2006.³

On September 8, 2006, the PR Treasury issued Informative Bulletin 06-02 (“IB 06-02”) to clarify that for purposes of the Business Registry, retirement plans are not considered to be either engaged in trade or business in Puerto Rico or resellers of taxable items. Accordingly, retirement plans⁴ are not required to register with PR Treasury’s Business Registry even though you may have received a notice from the PR Treasury to the effect.

As we have done throughout the year, we will issue a Memorandum to Clients and Friends as soon as we learn about any additional developments.

* * * * *

¹ The Business Register is a list of all providers of goods and services in Puerto Rico and is being established for purposes of the administration and enforcement by the PR Treasury of the new sales and use tax (“IVU” for its acronym in Spanish).

² Note that under Act 117, the term “taxable items” generally includes goods and services.

³ The PR Treasury guarantees the issuance of a Business Certificate before November 15, 2006, to those individual and entities that register on or before October 15, 2006.

⁴ We understand that the trust(s) funding a retirement plan is/are not required to register with the Business Registry, Note however, that the trustee of a retirement plan is required to be registered with the Business Register since it could be providing taxable services to the trust.



If you have any questions or comments, or wish additional information regarding these matters, please contact any of the attorneys listed below, members of our Employee Benefits Practice Group:

Juan Luis Alonso	787-250-5655	jla@mcvpr.com
Roberto L. Cabañas	787-250-5611	rlc@mcvpr.com
José M. Falcón	787-250-2603	jmf@mcvpr.com
Yamary González	787-250-5687	yg@mcvpr.com
Xenia Vélez Silva	787-250-2620	xv@mcvpr.com

The content of this memorandum has been prepared by us for information purposes only. It is not intended as, and does not constitute, either legal advice or solicitation of any prospective client. An attorney-client relationship with McConnell Valdés cannot be formed by reading or responding to this memorandum. Such a relationship may be formed only by express agreement with McConnell Valdés.