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TAX and RETAIL ALERT

Puerto Rico Treasury announces sales tax holidays for uniforms and school supplies for Fiscal Year 2014-2015

Pursuant to Section 4030.20(a) of the Puerto Rico Internal Revenue Code ("PRIRC"), on June 27, 2014, the Puerto Rico Department of the Treasury issued [Circular Letter No. 14-02](#) for the purpose of: (1) establishing the sales tax holidays for uniforms and school supplies for Fiscal Year 2014-2015; and (2) setting forth the list of items that will be exempt from payment of the sales and use tax ("SUT") during said holidays.

The sales tax holidays for uniforms and school supplies for Fiscal Year shall run: (1) from 12:01a.m. on July 18th, 2014 until midnight on July 19th, 2014; and (2) from 12:01a.m. on January 16th, 2015 until midnight on January 17th, 2015.

The articles that will be exempt from payment of the SUT shall be as follows:

School Uniforms

Section 4030.20(c)(1) of the PRIRC provides that "School Uniform" means such clothing that is specifically required by an educational institution to be worn by students, and that may not have a general or continuous use outside of school and substitute ordinary clothing. "School uniform" also includes items of clothing or shoes that complement one or more parts of the uniform, as specifically required by the educational institution.

"School Uniform" does not include:

- Belt buckles sold separately.
- Costume masks sold separately.
- Patches or emblems sold separately, except if they are part of the school uniform.
- Sewing equipment and accessories, including, without limitation, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles.
- Sewing materials that may become part of clothing, including, without limitation, buttons, fabric, lace, thread, yarn, and zippers.
- Accessories or clothing items that constitute incidental articles worn over the body or in conjunction with clothing. For example, briefcases; cosmetics; accessories for hair such as ribbons, nets, or hair barrettes; hand bags; handkerchiefs; jewelry; non-prescription sunglasses; umbrellas; billfolds; wristwatches; wigs; and false eyelashes.

- Protective equipment for use by people against injury or disease, or as protection for other people or property against injury or disease, but not adequate for general use. For example, protective respiration masks; sterile room equipment and garments; hearing protection items; masks; protective helmets; hardhats; paint or dust masks; safety gloves or protectors; protective glasses or goggles; safety belts; tool belts; and soldering masks, gloves or protective head gear.
- Sports and recreational gear, designed for human use, and used together with, or as part of a creative or sports activity, that are not adequate for general use. For example: ballet shoes and tap shoes; spikes; gloves, including baseball, bowling, boxing, hockey, and golf; goggles; knee and elbow protectors; life jackets and vests; protective mouthpieces; ice and roller skates; shin pads; shoulder pads; skiing boots; waterproof boots; wetsuits; and fins.

School Supplies

Section 4030.20(c)(2) of the PRIRC provides that “School Supplies” include school supplies, art school supplies, music school supplies, teaching supplies bought at the retail level, and computer storage media such as disks, compact disks, and flash drives.

- “School Supplies” are articles commonly used by a student in a course of study. These are:
 - Binders
 - School bags
 - Calculators
 - Tape
 - Chalk
 - Compass
 - Crayons
 - Erasers
 - Storage binders, accordion pockets, plastic pockets, manila envelopes
 - Paste and glue
 - Markers and highlighters
 - Index cards
 - Boxes for storing index cards
 - Lunchboxes
 - Loose leaf paper, ruled paper for ring binders, copy paper, graph paper, poster board, and construction paper
 - Pencil cases and other school materials cases
 - Pencil sharpeners
 - Pencils
 - Pens
 - Protractors
 - Rulers
 - Scissors
- Art and music school supplies and teaching supplies are articles usually used by a student in an art or music course of study, or as a reference source. These are:
 - Clay and lacquer
 - Paint, including acrylic, tempera, and oil paints
 - Art brushes
 - Drawing and sketching notebooks
 - Water colors
 - Musical instruments
 - Reference maps and world globes

Textbooks and notebooks

Textbooks that are required to be used by an educational institution and appear in an official list of school and university textbooks are exempt from payment of the SUT during the entire year. Notebooks are also exempt, no matter their size.

Circular Letter No.14-02 also contains provisions regarding the applicability of the SUT exemption during the sales tax holidays to purchases of School Uniforms, School Supplies, and Textbooks under Lay Away plans; through the use of gift cards or certificates; by mail order, phone, e-mail, or internet; or by using Rain Checks.

For further information on the provisions of Circular Letter No. 14-02, you may contact any of the attorneys listed below, members of the Tax and Retail Practice Teams:

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