

United States Senate

WASHINGTON, DC 20510-0907

January 26, 2010

Chairman Max Baucus
511 Hart Senate Office Building
Washington, D.C. 20510

Ranking Member Charles Grassley
511 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Grassley:

I have received a letter from the Governor of Puerto Rico, Luis Fortuño, seeking assistance regarding the extension of tax provisions allowing the remittance of rum excise taxes to both Puerto Rico and the U.S. Virgin Islands. I respectfully request that the expiring provisions be extended this year and into the future as part of the upcoming tax extension legislation.

Another issue addressed in the Governor's letter was the way in which these excise taxes are used by the territories, and his concerns about economic development efforts underway that could dramatically shift the allocation of the excise taxes between Puerto Rico and the U.S. Virgin Islands. These excise tax remittances to Puerto Rico and the U.S. Virgin Islands totaled \$471 million in 2008, with Puerto Rico receiving \$371 million and the U.S. Virgin Islands receiving \$100 million. The territories, like many states, are facing difficult budgetary choices, and any drastic shift in these allocations could have a significant impact.

I believe that this issue deserves the careful consideration of the Finance Committee to ensure that the policy goals of the United States in providing assistance to the territories are being met. Congressman Pierluisi has introduced legislation (H.R.2122) that would address this issue by imposing new limits on the activities financed by the excise taxes sent to the territories. While every state and territory should be free to conduct economic development activities as they see fit, I am concerned that some of the efforts underway utilizing rum "covered-over" funds could result in a significant shift in the assistance the U.S. Government provides the territories and a massive subsidy to one rum producer, creating an unequal playing field in what is now a competitive market.

I would appreciate your careful consideration of this matter and your concerted efforts to find a fair solution that preserves the original intent of the rum excise tax "covered-over" without causing dramatic shifts in the assistance to the territories or subsidizing one market competitor over another.

Sincerely,



George S. LeMieux
United States Senator