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October 2, 2008

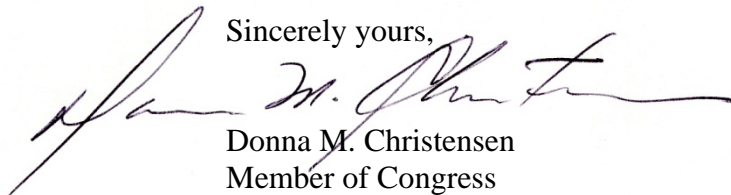
Dear Colleague,

Permit me to bring to your attention some pertinent facts about the much talked about provision to cover-over federal taxes on rum produced in Puerto Rico and the Virgin Islands in the package of Tax Extenders that was attached to the Emergency Economic Stabilization Act of 2008 by the Senate last night.

- The rum tax cover over to the governments of Puerto Rico and the US Virgin Islands is **NOT** a provision to provide \$192 million to rum producers.
- The rum tax cover over is based on a historic equalization tax principal between the US and PR / VI whereby federal taxes applied to products made in PR / VI that enter the US market are returned to the Governments of PR / VI.
- The cover over for Puerto Rico dates back to the Organic Act of 1917 and is based on an open market economy with the US. The Virgin Islands were given similar treatment with the enactment of its Organic Act in 1954.
- So a tax equal to all other distilled spirits is levied on Puerto Rican/VI rum. They do not to enjoy a market advantage in the US, but Treasury, through Alcohol, Tobacco and Firearms, returns the taxes collected to Puerto Rico and to the VI based on sales in the US market.

Proceeds from the rum cover over are critical to the fiscal stability of both jurisdictions. Public services and infrastructure are financed in part through this program. Public finance bonds, backed by this revenue, have been secured and play an important role in the capital budgets of both jurisdictions. Failure to extend the increase to the cover over will have significant implications in both jurisdictions that are struggling with recession.

Sincerely yours,



Donna M. Christensen  
Member of Congress