

2020-2021 Tax-Free Back to School Holidays Announced

ATTORNEYS

- Isis Carballo-Irigoyen
- Yamary I. González-Berríos
- Rubén Muñiz-Bonilla
- Lillian Toro-Mojica
- Mariana M. Contreras-Gómez
- Rafael Fernández-Suárez
- Leyla González-Ibarría
- Xenia Vélez
- Carlos J. Villafañe-Real

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An McV Sales & Use Tax Alert

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On July 6, 2020 the Puerto Rico Department of the Treasury published **Internal Revenue Circular Letter No. 20-31** (“CL 20-31”) to: (1) establish the sales-tax-free holidays for uniforms and school supplies for **Fiscal Year 2020-2021**; and (2) set forth the list of items that will be exempt from payment of the sales and use tax (“SUT”) during said holidays.

The two sales-tax-free holidays for uniforms and school supplies for Fiscal Year 2020-2021 will run: (1) from midnight (12:00 a.m.) on Friday July 31, 2020 until 11:59 p.m. on Saturday August 1, 2020; and (2) from midnight (12:00 a.m.) on Friday January 8, 2021 until 11:59 p.m. on Saturday January 9, 2021.

The items that will be exempt from the SUT will be “school uniforms” and “school supplies,” as follows:

School Uniforms

Section 4030.20(c)(1) of the Puerto Rico Internal Revenue Code of 2011, as amended (the “Code”) provides that a “school uniform” is 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 to substitute ordinary clothing. A 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, but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles

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- Sewing materials that may become part of clothing, including, but not limited to, 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), handbags, handkerchiefs, jewelry, non-prescription sunglasses, umbrellas, billfolds, wristwatches, wigs, and hairpieces
- Protective equipment for use by people against injury or disease, or as protection from injury or disease from other people or property, but not adequate for general use. For example, protective respiration mask, 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 belt, 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 which are not adequate for general use, such as ballet slippers and tap shoes, spikes, gloves, (including baseball, bowling, boxing, hockey, and golf), goggles, knee and elbow pads, 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 Code provides that “school supplies” include school supplies, art school supplies, music school supplies, teaching supplies purchased 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, consisting only of:

- Binders
- Binders, accordion pockets, plastic pockets, manila envelopes
- Book bags
- Boxes for storing index cards
- Calculators
- Chalk

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- Compasses
- Crayons
- Erasers
- Index cards
- Loose leaf paper, ruled paper for ring binders, copy paper, graph paper, poster board, and construction paper
- Lunchboxes
- Markers and highlighters
- Paste and glue
- Pencil cases and other school materials cases
- Pencil sharpeners
- Pencils
- Pens
- Protractors
- Rulers
- Scissors
- Tape

Art and music school supplies and teaching supplies which are articles usually used by a student in an art or music course, or as a reference source, consisting only of:

- Art brushes
- Clay and lacquer
- Drawing and sketching notebooks
- Musical instruments
- Paint, including acrylic, tempera, and oil paints
- Reference maps and globes
- Watercolors

Printed Books

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Section 4030.20 of the Code provides that “printed books” (including electronic format books or e-books and the rental thereof) are exempt from payment of the SUT during the entire year. Printed books are defined as any non-periodical, unitary printed publication that is edited once or on intervals, in one or more volumes, of scientific, cultural or artistic nature, excluding electronic publications, magazines and newspapers. This SUT exemption also applies during the entire year to notebooks purchased at retail, regardless of their size.

CL 20-31 also provides guidance on the applicability of the SUT exemption during the sales-tax-free holidays under “lay away” plans, through the use of gift cards or certificates, by mail order, phone, e-mail, or internet.

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