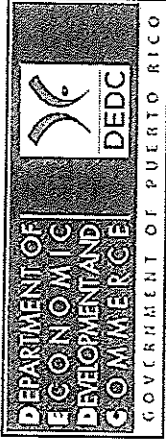


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Circular Letter No. 2011-02

December 22, 2011

José R. Pérez-Riera
Secretary

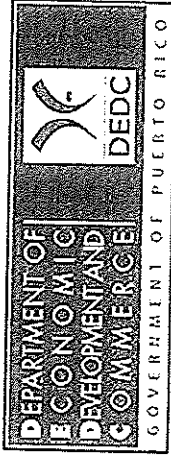
Department of Economic Development and Commerce

Re: Certification of Economically Disadvantaged Businesses and Critical Industry Suppliers

On December 29, 2010, the Secretary of the Department of the Treasury issued Regulation No. 7970 ("Regulation 7970") in order to implement the provisions of Sections 2101, 2102, 2103 and 2104 of Act No. 120 of October 31, 1994, as amended, also known as the "Internal Revenue Code Act of 1994."¹ Article (g) of Reg. §2102(a)-2 of Regulation 7970 ("Regulation 7970") authorizes the Secretary of the Treasury and the Department of Economic Development and Commerce to certify businesses as "Economically Disadvantaged" or as a "Critical Industry Supplier."

For purposes of certifying a business as an "Economically Disadvantaged Business" pursuant to the authority vested upon the Secretary of the Treasury and Department of Economic Development and Commerce according to Article (g) of Reg. §2102(a)-2 of Regulation 7970 the term "Economically Disadvantaged" business shall mean an entity where at least 51% percent of the business is owned, operated and controlled by one or

¹ Act No. 1 of January 31, 2011, also known as the "Internal Revenue Code for a New Puerto Rico" (hereinafter, the "New Internal Revenue Code"), replaced the Internal Revenue Code of 1994. According to Section 3070.01 of the New Internal Revenue Code, the provisions of Sections 2101, 2102, 2103 and 2104 of the Internal Revenue Code of 1994 regarding excise tax on personal property shall remain in effect and any reference to them shall be construed as referring to the analogous versions of said Sections in the New Internal Revenue Code.



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more natural persons residents of Puerto Rico who are economically disadvantaged individuals. Economically disadvantaged individuals are those individuals whose ability to compete in providing goods and services to members of a controlled group which are subject to the excise tax imposed by Section 2101, has been impaired due to diminished capital and credit opportunities as compared to others providing such goods and services in the global marketplace. In determining whether a business is an Economically Disadvantaged Business, consideration shall be given to the resources of persons related to the business, including, but not limited to, the owners of the business.

For purposes of certifying businesses as an "Economically Disadvantaged Business," the definition of the term "Economically Disadvantaged Business" shall not include businesses dedicated to providing legal, banking, accounting and/or tax consulting services.

For purposes of certifying a business as a "Critical Industry Supplier" pursuant to the authority vested upon the Secretary of the Treasury and the Department of Economic Development and Commerce according to Article (g) of Reg. §2102(a)-2 of Regulation 7970 the term "Critical Industry Supplier" shall have the same meaning as the term "key supplier," as said term is defined according to Section 2(d)(1)(D)(iii) of Act No. 73 of May 28, 2008, as amended.

For more information on the certification process, please contact the Department of Economic Development and Commerce at 787-765-2900 or certification7970@ddepr.com.