



Destilería Serrallés, Inc.

Roberto J. Serrallés, PhD
VP – Business Development

September 1, 2016

Dear Members of the Task Force,

I am a sixth-generation rum maker based in Ponce, Puerto Rico, where my family business, Destilería Serrallés has been operating since 1865. As one of America's oldest family-owned and operated businesses, Destilería Serrallés has been producing exceptional rums for 151 years. I am also a member of the Advisory Board of the Puerto Rico Conservation Trust, and write to express my support for the language offered by the Conservation Trust that would make the extender portion of the rum tax cover-over program permanent and provide a viable solution for funding for the Conservation Trust since a significant portion of its operational budget comes from the rum cover-tax extender provision. Permanency of this provision will also help the finances of both Puerto Rico and the US Virgin Islands by eliminating the uncertainty that plagues the biannual approval of this extender provision.

Congress agreed nearly 100 years ago to the rum tax "cover-over" – which is based on an equalization tax principle whereby rum would be taxed at the same rate as other distilled spirits, but that the excise taxes collected would be "covered-over" to Puerto Rico and later the US Virgin Islands as an economic development tool. Therefore, federal excise taxes collected on rum imported into the United States is transferred or "covered-over" to the Treasuries of Puerto Rico and the U.S. Virgin Islands. This important program provides hundreds of millions of additional revenue for Puerto Rico.

A portion of the rum tax coverd-over to Puerto Rico is used to fund the Puerto Rico Conservation Trust, which was established by agreement between the Governor of the Commonwealth and the U.S. Secretary of the Interior in 1968 and plays a critical role in supporting nature conservation, historic preservation, and public education. Puerto Rico is now an eco-tourist destination in great part due to the work of the Conservation Trust. The Trust's important work will provide for necessary permanent protections to Puerto Rico's natural and historic wonders. It is sound economic and social policy to support the Trust's mission.

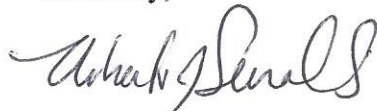
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With the tax extender provision scheduled to expire on January 1, 2017, the additional revenue resulting from the extender portion of the rum tax cover-over will soon be unavailable to Puerto Rico and the US Virgin Islands. Making this portion of the rum tax cover-over permanent will provide much-needed certainty as Puerto Rico works to address its fiscal crisis and secure critical funding to use for purposes of economic development and conservation.

I would also like to make mention to the Task Force that Puerto Rico's rum industry has fully recovered from recent losses. In addition to making up for lost production, Destilería Serrallés has embarked on an ambitious program to return to the southwestern region of Puerto Rico - a region particularly impacted by the decade long recession - sugarcane cultivation for molasses that will be used in rum production. Later this month, we will be announcing an agreement that will put back into sugar cane production 10,000 - 12,000 acres of currently unproductive land. This entire effort will lead to direct investments that promise to establish an economic ecosystem based on agroindustry that will propel additional lateral economic growth and job creation that will include biomass energy production and potentially cellulose-based ancillary industries.

I appreciate the work of the Congressional Task Force on Economic Growth in Puerto Rico. Your support in providing to Puerto Rico and the US Virgin Islands the full cover-over program through the language put forward by the Puerto Rico Conservation Trust would be an important component of a lasting recovery for both jurisdictions. The language has the support of the governors and rum producers from both jurisdictions and its enactment should be realized this year.

Sincerely,

A handwritten signature in dark ink, appearing to read "Roberto J. Serrallés", written in a cursive style.

Roberto J. Serrallés