TAX ALERT

Puerto Rico Treasury Announces Back to School Tax Free Periods for Fiscal Year 2026-2027

On June 1, 2026, the Puerto Rico Treasury Department (PRTD) announced the dates of the back-to-school tax free periods for the fiscal year 2026-2027 through the Internal Revenue Circular Letter No. 26-11 ("CL 26-11"). The back-to-school tax free periods comprise two days in July and two days in January of each fiscal year. In the tax-free period, the uniforms and school materials will be exempt from payment of the Puerto Rico Sales and Use Tax ("SUT") at the state and municipal levels.

The following SUT free periods, as established in CL 26-1:

- The first period will start at midnight on Friday, July 17, 2026, and will end at 11:59 p.m. on Saturday, July 18, 2026 (2 days).
- The second period will begin at midnight on Friday, January 8, 2027, and will end at 11:59 p.m. on Saturday, January 9, 2027 (2 days).

Among the articles considered exempt during the exemption periods are:

1. School uniforms - According to Section 4030.20(c)(1) of the Code, a school uniform is clothing required by an educational institution. The uniform should not be appropriate for general or continuous use outside the school to substitute ordinary clothes. Furthermore, a school uniform includes pieces of clothing and footwear that complement the uniform, as required by the educational institution. There are some exclusions to the term uniform that will not be subject to the exemption such as belt buckles, patches and emblems sold separately, protective equipment against injuries and diseases, sports and recreational equipment not appropriate for general use, among others.

2. School materials - The exemption covers school materials such as folders, plastic and manila envelopes, backpacks, lunch boxes, calculators, tape, chalk, compasses, crayons, erasers, glue, markers, index cards, paper, pens, pencils, pencil sharpeners, rulers, scissors, and

storage media, such as flash drives. Additionally, school materials of art, music and retail instructional supplies, including paints (acrylic, tempera, and oil), brushes for artwork, clay and enamels, drawing and sketchbooks, watercolors, musical instruments, and maps, among others will also be exempt from SUT.

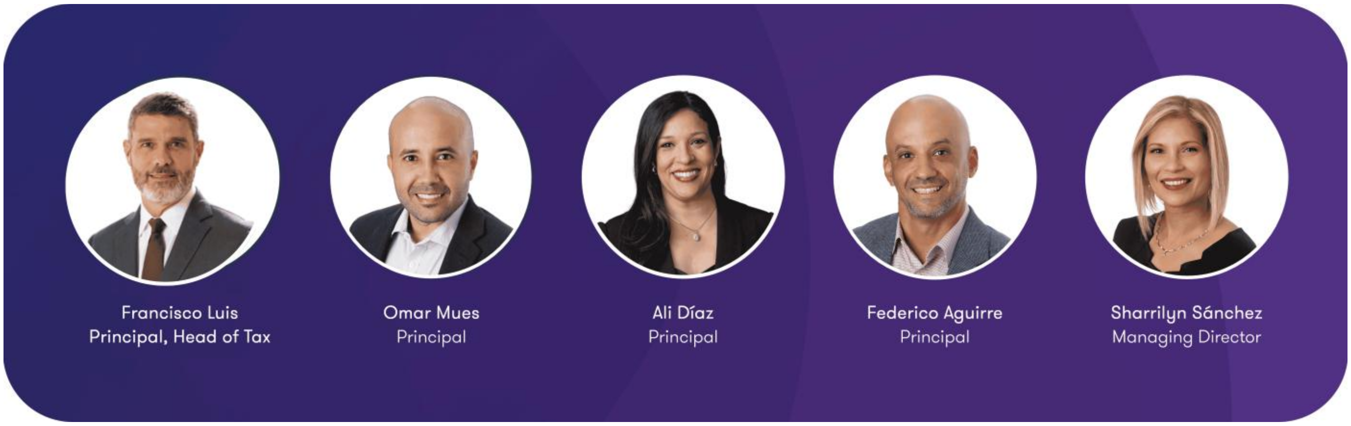
3. **Textbooks and Notebooks** – According to Section 4030.20(a) of the Code, all printed books and electronic books are exempt from sales and use tax (SUT) year-round. This exemption applies to both the purchase and rental of printed or electronic books. For these purposes, Section 4030.20(a) of the Code defines "printed books" as any single, non-periodical printed publication, whether issued at once or at intervals, in one or more volumes or installments of a scientific, cultural, or artistic nature, excluding publications by electronic means, magazines, and newspapers. It also defines "electronic books," also known as digital books, e-books, or e-books, as the electronic or digital version of a printed book.

   Article 4030.20-1(b)(9) of Regulation No. 8049 of July 21, 2011, as amended, establishes that notebooks purchased at retail, regardless of their size, are also exempt from paying the SUT throughout the year.

4. A Lay-Away and purchases by internet, phone, or mail will be considered as an exempt transaction if the items are fully paid and transferred or delivered to the buyer during the exemption period. A sale after the period of exemption does not qualify for the SUT Exemption.

5. Uniforms or school materials purchased with the use of a rain check, gift certificate, or gift cards during the exemption period will qualify for the exemption, regardless of the date when it was issued. Articles acquired before or after the exemption period will be subject to SUT, regardless of whether the gift card or gift certificate was purchased during the exemption period.

The PRTD will not require special reporting for the exempt sales made during the exemption periods. Merchants should report all the qualifying sales on the Sales and Use Tax Return as exempt sales. For more details on the back-to-school tax exempt period please refer to CL 26-11.



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