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## United States Senate

WASHINGTON, DC 20510

May 17, 2016

The Honorable John A. Koskinen  
Commissioner  
Internal Revenue Service  
U.S. Department of the Treasury  
Washington, DC 20224

Dear Commissioner Koskinen:

The Puerto Rican financial crisis and the continued misuse of the foreign tax credit as a backdoor bailout for its government is completely unacceptable. As you were made aware five years ago, Puerto Rico has been levying a special excise tax on non-Puerto Rican affiliates of Puerto Rican manufacturing companies, which is then being claimed against the foreign tax credit. Not only is this arrangement unconstitutional and without legal precedent, but it is being done without Congressional approval and is being funded using billions of U.S. tax dollars.

Why on earth have the IRS, Treasury Department, and White House all remained silent on this issue? The Puerto Rican government asked the IRS to rule on the constitutionality of the arrangement five years ago and it still has yet to do so. Given that IRS rulings are typically made within months or a single year, the IRS refusal to address this bailout does not pass the common sense test, and it appears to be the result of external pressures.

In Notice 2011-29, you write, "The determination of the creditability of the Excise Tax requires the resolution of a number of legal and factual issues." Is five years not sufficient time to sort through the "legal and factual issues" of this case? I respectfully request that the IRS provide a detailed and thorough explanation of the circumstances that continue to delay this ruling and explain why the timeline for this case is such an outlier from previous IRS rulings.

The IRS owes a full explanation to Congress and the American taxpayers as to *why* the IRS has delayed its rulings and all of the circumstances influencing that decision. Transparency is not the IRS's strength, but stopping the abusive \$2 billion backdoor bailout to Puerto Rico should be. You have an opportunity to do both.

Thank you for your attention to my requests.

Sincerely,



David Vitter  
United States Senator

CC:

The Honorable Jacob J. Lew, U.S. Secretary of Treasury

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