PRESS RELEASE

Office of the Secretary

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Contact: Eva Lizardi Tel. (787)721-2020 X3802 / 787-248-8151

MARCH REVENUES REDUCE FISCAL DEFICIT

(San Juan, PR) – Treasury Secretary Melba Acosta Febo reported that General Fund net revenues totaled $1.007 billion, a $316 million year-over-year increase. "This revenue increase is the result of two non-recurrent revenue initiatives, which added resources to the General Fund and are helping to reduce the fiscal deficit this year," the Secretary pointed out. One of these measures is a $241 million transfer from the Debt Service Redemption Fund to the General Fund. This money has served as a reserve since 2010 for potential collateral postings in derivative instruments or swaps tied to general obligation bonds of the Government of Puerto Rico with variable interest rates. Given the significant reduction, over the past two years, in the swap portfolio tied to these bonds, this reserve has been applied to the deficit.

The second measure was the advance payment of $125 million by companies subject to the non-resident withholding tax related to the use of patents in the manufacturing process. Acosta Febo indicated that at the beginning of this Administration's term the General Fund projected revenue shortfall for the fiscal year ending June 30, 2013, was estimated at approximately $910 million. Thanks to the fiscal initiatives implemented during the past three months, that gap has been significantly reduced to approximately $435 million. "We continue our efforts to reduce the budget gap. We hope that the revenues in the last quarter (April-June 2013) and those generated by the tax amnesty that is set to be approved by the legislature will close the gap even more," the Secretary emphasized.

Finally, in the main revenue categories there were mixed results in the year-over-year analysis. Total income taxes reflected a $96 million increase while total excise taxes reflected a $19 million decrease. Individuals' tax collections reflected a $33 million reduction when compared to the same month last year, partly because last year it included revenues from the debt payment incentive. Corporate tax collections showed a $30 million increase. In addition, non-resident withholdings increased from $71 million in March 2012 to $169 million in March 2013, due to the advance payments by corporations.

Among the excise taxes, the foreign or Act 154 excise tax went down from $123 million in March 2012 to $112 million in March of this year, which is due to a lower tax rate when compared to the outstanding rate in 2012.

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