

PRESS RELEASE

TRANSLATION



Office of the Secretary

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PUERTO RICO TREASURY REVENUES TOTAL \$8.961 BILLION IN FY 2015 SPECIAL LAWS GENERATE \$467 MILLION, INCLUDING \$88 MILLION FROM THE TAX AMNESTY

(San Juan, Puerto Rico) – Treasury Secretary Juan Zaragoza Gómez announced that General Fund revenues totaled \$8.961 billion in FY 2015, a \$76 million, or 0.8%, decrease compared to FY 2014. Collections were \$604 million below estimates. This gap is attributed to several factors, including the elimination of the gross receipts tax (*patente nacional*) in December 2014, although revenues in this category were budgeted for the entire year; the reduction of the motor vehicle excise tax; the fact that Congress did not pass a tax-extender increasing the reimbursement of the excise tax on off-shore shipments of rum; and economic factors.

After certain adjustments, such as the increase in the interest of TRANs, the payments required by Act 73-2008, adjustments to recognize the difference between the refunds paid during the fiscal year and the related estimates, and a reduction in budgeted expenses through reserves made during the fiscal year by the OMB – all of which were previously reported in the June 30, 2015 Supplement to the May 7, 2015 Commonwealth Quarterly Report – the General Fund budget shortfall is approximately \$703 million.

Zaragoza Gómez also noted that certain legislative measures that generated revenues for the General Fund were approved in FY 2015. The principal measures were Act 77-2014 and Act 44-2015. These laws granted temporary periods to make pre-payments at preferential rates on certain transactions, such as Individual Retirement Accounts (IRAs), retirement plans, annuity contracts, and other capital assets. In addition, Act 44-2015 allowed the pre-payment of taxes on corporate dividends for future distributions of accrued benefits and profits at a reduced rate of 5% or 8%, and

authorized utilizing the tax amnesty to pay tax debts. The combined results of both laws produced total revenues for the General Fund in the amount of \$467.6 million, or 5.2% of General Fund net revenues. These revenues consist of \$256.9 million from pre-payments of certain transactions at a reduced rate, \$122.4 million from the discount rate on dividends, and \$88.3 million from the tax amnesty. These collections positively influenced principal taxes, such as individual and corporate income taxes. Another revenue enhancing measure was the amnesty on traffic fines, which represented \$18.8 million in revenues for the General Fund. Thousands of taxpayers took advantage of the provisions of these laws.

With respect to the Sales and Use Tax (“SUT”), in FY 2015, the Merchant’s Integrated Portal (PICO, by its Spanish acronym) was implemented in phases. The most recent phase, which began on May 1st, involved the integration of non-bonded importers to the PICO system’s process of declaring and paying the SUT for imported merchandise at ports. The new system was a determining factor in SUT revenues during FY 2015, and is expected to continue to influence these revenues going forward. In June 2015, the 5.5% SUT revenue totaled \$115.6 million, which represented an 8.4% year-over-year increase. In FY 2015, the 6% SUT revenue totaled \$1.417 billion, including \$669.5 million that were transferred to COFINA for debt service, \$118 million that were deposited into the Municipal Administration Fund, and \$3.2 million that were transferred to the Film, Arts, Sciences and Industry Development Corporation. After these adjustments, the General Fund received \$626.3 million, a \$31 million, or 5.2%, year-over-year increase.

One of the main revenue drivers is the foreign corporation excise tax (Act 54). In FY 2015, collections in this category amounted to \$1,942.9 million, which exceeded last year’s collections by \$40.7 million, or 2.1%.

Lastly, the Treasury Secretary pointed out that the fact that FY 2015 revenues were below estimates is a reflection of the Island’s difficult fiscal and economic situation, which directly affects the Government’s liquidity. However, it should be noted that, even during this difficult economic situation, taxpayers have paid around \$500 million in temporary tax measures. These revenue sources will not be recurring during FY 2016. Permanent revenue sources that are expected to compensate the temporary tax measures include the changes introduced to the Sales and Use Tax. Moreover, changes will be introduced to the tax administration in order to strengthen tax compliance and fiscal oversight.

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General Fund Net Revenues
June
(million of \$)

Items	June		Dif.	Estimate	Collections
	2013-14	2014-15		June	vs. Estimate
Gross General Fund Net Revenues	1,059.0	1,017.7	(41.4)	1,307.0	(289.3)
Reserve for Refund	(49.0)	(39.0)	10.0	(39.0)	0.0
General Fund Net Revenues	1,010.0	978.7	(31.4)	1,268.0	(289.3)
Individual	159.5	189.2	29.7	179.8	9.4
Corporations	314.2	257.7	(56.5)	456.6	(198.9)
Non-Resident Withholdings	55.0	50.8	(4.2)	96.1	(45.3)
Sales and Use Tax	106.4	115.3	8.9	119.3	(4.0)
Property Taxes	1.7	7.8	6.1	0.0	7.8
Foreign (Act. 154)	140.1	201.7	61.7	171.0	30.7
Alcoholic Beverages	24.9	24.5	(0.4)	29.5	(5.0)
Cigarettes	14.0	28.1	14.1	17.8	10.3
Motor Vehicles	30.3	30.1	(0.2)	27.9	2.2
Excises on Off-Shore Shipment Rum	7.3	18.5	11.2	19.9	(1.4)
Others	156.8	55.0	(101.8)	150.1	(95.1)

General Fund Net Revenues
July to June
(million of \$)

Items	July - June		Dif.	Estimate	Collections
	2013-14	2014-15		July - June	vs. Estimate
Gross General Fund Net Revenues	9,624.9	9,428.9	(196.0)	10,033.0	(604.1)
Reserve for Refund	(588.0)	(468.0)	120.0	(468.0)	0.0
General Fund Net Revenues	9,036.9	8,960.9	(76.0)	9,565.0	(604.1)
Individual	1,979.4	2,295.3	315.9	2,356.0	(60.7)
Corporations	1,914.3	1,735.8	(178.5)	2,085.0	(349.2)
Non-Resident Withholdings	899.9	784.1	(115.8)	807.0	(22.9)
Sales and Use Tax	595.3	626.3	31.0	735.0	(108.7)
Property Taxes	19.8	21.4	1.6	0.0	21.4
Foreign (Act. 154)	1,902.2	1,942.9	40.7	1,890.0	52.9
Alcoholic Beverages	266.5	258.2	(8.4)	281.0	(22.8)
Cigarettes	171.1	170.9	(0.2)	170.0	0.9
Motor Vehicles	392.0	298.5	(93.5)	380.0	(81.5)
Excises on Off-Shore Shipment Rum	248.0	189.2	(58.8)	225.0	(35.8)
Others	648.4	638.4	(10.0)	636.0	2.4