

PRESS RELEASE

TRANSLATION



Office of the Secretary

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FIRST QUARTER FY 2014-15 REVENUES TOTAL OVER \$1.7 BILLION AN INCREASE OF \$75 MILLION, OR 4.4%

(San Juan, Puerto Rico) – Treasury Department Secretary Melba Acosta Febo announced that General Fund preliminary revenues for the 1st Quarter of FY2015 (July-September) totaled \$1,774 million, an increase of \$75 million, or 4.4%, compared to the prior year period. Although year-to-date (YTD) revenues increased over the prior year period, they were \$36 million below estimates.

September revenues totaled \$709 million, driven by individual income tax collections of \$168 million, which is a \$22 million, or 15.3%, increase over last year. September revenues registered the largest monthly increase during the quarter.

In connection with the individual income taxes, the Treasury Secretary stated that as part of balancing the FY 2014- 15 budget, the Legislative Assembly introduced and passed a bill granting a temporary period of time during which certain transactions could be executed at preferred rates. These transactions are related to Individual Retirement Accounts (IRAs), pension plans and annuities; the temporary period for IRA and pension plan related transactions runs from July 1, 2014 to October 31, 2014, and the temporary period for annuity related transactions runs from July 1 to December 31, 2014. As of September, collections for these transactions totaled around \$6.7 million. The Legislative Assembly is considering a bill that would extend the period for IRA related transactions and pension plans through December 31, 2014. Should that bill pass, revenues related to the transactions would be collected in subsequent months, and estimates for the coming months would need to be adjusted accordingly to account for the extended collection time frame.

Acosta Febo pointed out that September collections for the 6.0% state Sales and Use Tax (SUT) totaled \$115.7 million, the highest monthly level for a month of September since the SUT was implemented in November 2006.

Last year, the state SUT rate was 5.5%. September 2014 SUT collections reflect a \$9.3 million, or 8.7%, increase versus September 2013 after adjusting for the change in rate. Acosta Febo stated that during the 1st Quarter of FY2015 (July-September), total SUT collections were \$337.8 million, reflecting an adjusted YTD revenue increase of \$18.7 million, or 5.9%, compared to the prior year period.

State SUT Revenues 6%

	jul	ago	sept	Total
AF 2014-15	\$ 113.7	\$ 108.4	\$ 115.7	\$ 337.8
AF 2013-14	\$ 107.7 a)	\$ 105.0	\$ 106.4	\$ 319.1
Change	\$ 6.0	\$ 3.4	\$ 9.3	\$ 18.7
%	5.6%	3.2%	8.7%	5.9%

a) The amount excludes \$12.8 million of SUT Tax Amnesty

Acosta Febo emphasized that these results are even more positive when considering the setbacks related to the initial implementation of the Integrated Merchant Portal (PICO, by its Spanish acronym) system and with the filing of electronic returns under the new system. The Official attributed these strong results to the Treasury Department's ongoing efforts to increase collections, tackle tax evasion and enforce tax compliance through the collection of the SUT at the Island's ports. She further explained that these collections were allocated in full to COFINA to service the debt.

Corporate income tax collections totaled \$225 million in September. This amount was \$25 million below September 2013 collections. However, most corporations made larger payments this fiscal year; 3,456 corporations were identified as making estimated tax payments in the total amount of \$183 million, which represents \$57 million, or 45%, above payments in September 2013. This demonstrates the diversity of the corporate sector's tax behavior.

Foreign corporation excise tax (Act 154) collections showed a \$10 million decline. Nevertheless, revenues in this category were up by \$93 million this quarter when compared with the same quarter last year and were \$43 million over estimates. Other excise taxes categories registered fluctuations. The motor vehicles excise tax showed a \$4.3 million reduction year-over-year; this decrease was

smaller than in July and August. Meanwhile, alcoholic beverage collections showed a year-over-year increase of \$4.3 million, or 22.3%.

There were also reductions in the excise tax on off-shore shipments of rum for the month and the quarter when compared with prior year periods. These reductions are due in part to the decline in the reimbursement per gallon of rum to \$10.50 compared to \$13.25 last year. “It is expected that during this fiscal year, as in previous years, a tax extender will be approved retroactively and this excise tax reimbursement will be \$13.25 per gallon,” Acosta Febo explained.

Finally, the Official pointed out that the Treasury Department continues implementing several oversight efforts and initiatives to generate revenues for the General Fund.

General Fund Net Revenues
September
(million of \$)

Items	September		Dif.	Estimate	Collections
	2013-14	2013-14		September	vs. Estimate
Gross General Fund Net Revenues	780.1	748.0	(32.2)	794.0	(46.0)
Reserve for Refund	(49.0)	(39.0)	10.0	(39.0)	-
General Fund Net Revenues	731.1	709.0	(22.2)	755.0	(46.0)
Individual	145.8	168.1	22.3	170.0	(1.9)
Corporations	250.5	225.3	(25.2)	252.0	(26.7)
Non-Resident Withholdings	49.4	49.7	0.3	49.4	0.3
Sales and Use Tax	-	-	-	-	-
Property Taxes	1.2	0.9	(0.3)	-	0.9
Foreign (Act. 154)	149.7	139.4	(10.3)	155.0	(15.6)
Alcoholic Beverages	19.3	23.5	4.3	19.8	3.7
Cigarettes	9.7	9.9	0.2	9.5	0.4
Motor Vehicles	30.2	25.8	(4.3)	29.0	(3.2)
Excises on Off-Shore Shipment Rum	27.5	15.5	(12.0)	25.9	(10.4)
Others	47.9	50.8	2.9	44.4	6.4

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

Items	July - September		Dif.	Estimate	Collections
	2013-14	2014-15		Jul - Sep	vs. Estimate
Gross General Fund Net Revenues	1,845.8	1,890.8	45.0	1,927.2	(36.4)
Reserve for Refund	(147.0)	(117.0)	30.0	(117.0)	-
General Fund Net Revenues	1,698.8	1,773.8	75.0	1,810.2	(36.4)
Individual	415.4	443.9	28.6	470.0	(26.1)
Corporations	357.7	360.1	2.4	392.9	(32.8)
Non-Resident Withholdings	119.7	107.0	(12.7)	119.7	(12.7)
Sales and Use Tax	-	-	-	-	-
Property Taxes	7.0	2.4	(4.7)	0.0	2.4
Foreign (Act. 154)	435.0	527.8	92.7	485.0	42.8
Alcoholic Beverages	63.7	59.6	(4.1)	64.9	(5.3)
Cigarettes	37.7	38.8	1.1	34.6	4.2
Motor Vehicles	80.7	56.1	(24.6)	81.4	(25.3)
Excises on Off-Shore Shipment Rum	88.2	57.2	(31.0)	72.9	(15.7)
Others	93.7	121.0	27.3	88.8	32.2