

# PRESS RELEASE

TRANSLATION



## Office of the Secretary

February 13, 2015  
Contact: María E. Quintero

Email: maru.quintero@hacienda.gobierno.pr  
Tel: 787-398-0486 / 724-0290

### **TREASURY COLLECTS \$700 MILLION IN JANUARY, A \$20 MILLION, OR 3%, YEAR-OVER-YEAR INCREASE**

**(San Juan, Puerto Rico)** – Treasury Secretary Juan Zaragoza Gómez announced that preliminary General Fund revenues for January totaled \$700 million, up by \$20 million, or 3%, from January 2014.

The main revenue drivers were the combined individual and corporate income taxes, which at \$436 million exceeded January 2014 collections by \$115 million. Individual income taxes rose by \$47 million and non-resident withholdings were up by \$109 million. The increase in the latter category was due mainly to royalty payments. Corporate income taxes decreased by \$40 million year-over-year.

Zaragoza Gómez noted that an additional \$62 million in revenues were collected in January as a result of the enactment of Act 238 of December 22, 2014. Act 238 extended the due date to make pre-payments at preferential rates on certain transactions, such as Individual Retirement Accounts (IRAs), retirement plans and other capital assets. Following the enactment of this law, Taxpayers who were previously unable to make these pre-payments were able to take advantage of the law during the month of January.

The Official stated that January revenues from the 6.0% state Sales and Use Tax (SUT) totaled \$142.1 million, similar to last year's amount when compared with the 6% equivalent rate. He pointed out that December 2014 SUT revenues fulfilled the \$670 million that is transferred to COFINA to service the debt. The \$48.8 million needed to complete the 0.5% state SUT revenues transfer to the Municipal Administration Fund was collected in January. In addition, \$1.9 million was transferred to

the Film, Arts, Sciences and Industry Development Corporation. The remaining \$91.4 million SUT revenues went to the General Fund. For the remainder of 2015, all 6.0% state SUT revenues will be distributed as follows: 5.5% will go to the General Fund and 0.5% to the Municipal Administration Fund.

In the excise tax collections categories, compared to last year, alcoholic beverage revenues were up by \$8 million, tobacco products were down by \$11 million, and motor vehicles, by \$10 million.

There are two main reasons for the \$60 million year-over-year decrease in the foreign corporation excise tax (Act 154). First, two corporations had previously reached the maximum cap for the excise tax for calendar year 2014. Therefore, these corporations did not make payments in January 2015, as they did last year. Secondly, another corporation had advanced the inventory in previous months. January excise taxes related to the federal reimbursement for off-shore shipments of rum were transferred to the rum program in accordance with the Law, not to the General Fund.

The Treasury Secretary stated that revenues for the first seven months of FY 2015 were \$115 million, or 2.5%, below estimates. The Secretary, however, is preparing a new revenue estimate for the remainder of the fiscal year based on year-to-date collections and prevailing economic conditions. In order to close this gap, the Secretary announced that as a preamble to the tax system overhaul, a bill of law (H.R. 2316) was introduced allowing the pre-payment of a special tax on certain transactions. One of these transactions will be a pre-payment, at a reduced rate of 5% or 8%, of taxes on corporate dividends for future distributions of accrued benefits and profits. It also provides a window to pre-pay IRAs and Educational Contribution Accounts until March 31, 2015. This will provide alternatives to taxpayers and encourage retirement and educational savings, while also providing tax relief. In addition, the bill provides for an incentive plan to pay debts for income, estate, gift, excise, and sales and use taxes, as well as employer withholdings. The bill also establishes an incentive plan for voluntary disclosure of income and payment of the corresponding taxes. The deadline to benefit from these incentives plans and make payments will be June 30, 2015. In addition to promoting tax compliance, these measures will provide the General Fund with additional funds that will transform Puerto Rico's tax system.

General Fund Net Revenues  
January  
(million of \$)

| Items                             | January |         | Dif.   | Estimate<br>January | Collections<br>vs. Estimate |
|-----------------------------------|---------|---------|--------|---------------------|-----------------------------|
|                                   | 2013-14 | 2014-15 |        |                     |                             |
| Gross General Fund Net Revenues   | 728.4   | 738.5   | 10.1   | 757.3               | (18.8)                      |
| Reserve for Refund                | (49.0)  | (39.0)  | 10.0   | (39.0)              | -                           |
| General Fund Net Revenues         | 679.4   | 699.5   | 20.1   | 718.3               | (18.8)                      |
| Individual                        | 175.2   | 222.2   | 46.9   | 196.2               | 26.0                        |
| Corporations                      | 93.9    | 54.1    | (39.8) | 90.2                | (36.1)                      |
| Non-Resident Withholdings         | 43.9    | 152.6   | 108.8  | 43.9                | 108.7                       |
| Sales and Use Tax                 | 91.9    | 91.4    | (0.5)  | 146.4               | (55.1)                      |
| Property Taxes                    | 1.2     | 0.7     | (0.6)  | -                   | 0.7                         |
| Foreign (Act. 154)                | 141.5   | 81.9    | (59.7) | 136.0               | (54.1)                      |
| Alcoholic Beverages               | 21.4    | 29.6    | 8.2    | 21.7                | 7.9                         |
| Cigarettes                        | 20.9    | 9.5     | (11.4) | 20.6                | (11.1)                      |
| Motor Vehicles                    | 36.1    | 25.6    | (10.5) | 34.6                | (9.0)                       |
| Excises on Off-Shore Shipment Rum | 15.8    | -       | (15.8) | 3.5                 | (3.5)                       |
| Others                            | 37.6    | 32.0    | (5.6)  | 25.2                | 6.8                         |

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

| Items                             | July - January |         | Dif.    | Estimate<br>Jul - Jan | Collections<br>vs. Estimate |
|-----------------------------------|----------------|---------|---------|-----------------------|-----------------------------|
|                                   | 2013-14        | 2014-15 |         |                       |                             |
| Gross General Fund Net Revenues   | 4,981.0        | 4,728.0 | (253.0) | 4,843.2               | (115.2)                     |
| Reserve for Refund                | (343.0)        | (273.0) | 70.0    | (273.0)               | -                           |
| General Fund Net Revenues         | 4,638.0        | 4,455.0 | (183.0) | 4,570.2               | (115.2)                     |
| Individual                        | 1054.7         | 1269.2  | 214.5   | 1,270.1               | (0.9)                       |
| Corporations                      | 1017.6         | 882.1   | (135.5) | 913.9                 | (31.8)                      |
| Non-Resident Withholdings         | 476.4          | 466.6   | (9.8)   | 342.4                 | 124.2                       |
| Sales and Use Tax                 | 91.9           | 91.4    | (0.5)   | 147.20                | (55.9)                      |
| Property Taxes                    | 11.3           | 9.7     | (1.7)   | 0.0                   | 9.7                         |
| Foreign (Act. 154)                | 1042.0         | 939.7   | (102.3) | 1036.0                | (96.3)                      |
| Alcoholic Beverages               | 164.6          | 156.3   | (8.3)   | 164.9                 | (8.6)                       |
| Cigarettes                        | 101.4          | 93.3    | (8.1)   | 97.1                  | (3.8)                       |
| Motor Vehicles                    | 231.7          | 165.9   | (65.8)  | 226.5                 | (60.6)                      |
| Excises on Off-Shore Shipment Rum | 174.1          | 123.2   | (50.8)  | 137.6                 | (14.4)                      |
| Others                            | 272.2          | 257.7   | (14.5)  | 234.5                 | 23.2                        |

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