



Office of the Secretary

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APRIL REVENUES INCREASE \$196 MILLION, OR 20%, YEAR-OVER-YEAR

YEAR-TO-DATE REVENUES EXCEED PRIOR YEAR PERIOD BY \$465 MILLION

Sales and Use Tax Up 13.2%, highest year-over-year increase

Corporate taxes currently below estimates; Treasury Department closely monitoring requests for tax return filing extensions that end in July 2014

(San Juan, Puerto Rico) – Treasury Secretary Melba Acosta Febo reported that preliminary revenues for April 2014 totaled \$1,181 million, exceeding April 2013 revenues by \$196 million, or 20%. In April, the month when tax returns are filed, all the principal tax revenue sources reflected increases when compared to last year.

Year-to-date General Fund revenues for fiscal 2014 totaled \$7,261 million, up \$465 million, or 6.8%, from the previous year.

Acosta Febo explained, “The increase this year is due to the revenue measures enacted as part of last year’s budget to reduce the fiscal deficit, specifically the gross receipts tax (*patente nacional*), and the excise tax rate increase on foreign corporations.

“While April 2014 revenues exceeded the prior year period, the amount collected was \$442 million below estimates, with \$380 million of that amount corresponding to the corporate income taxes line revenue. Year-to-date (July-April) revenues are below budget estimates by \$356 million,” Acosta Febo stated.

The Secretary noted that the corporate tax revenues are still being analyzed, and preliminarily attributed the fluctuation to a combination of factors that were identified after the tax return filing due date, April 15, 2014.

“We are looking closely at the corporations that requested extensions. We are analyzing the thousands of applications for time extensions that were not accompanied by payments (53% of all corporations), corporations that did not make estimated payments, and payments by corporations that were below expectations. The time extension for corporations is three months in duration and ends July 15, 2014. We will closely monitor this behavior until the extended deadline,” Acosta Febo emphasized.

Acosta Febo noted out that the Treasury Department is conducting an in-depth evaluation in order to take appropriate action. Treasury Department Personnel is carefully examining the information of the taxpayers in question and contacting those who, according to the agency’s records, should have filed their applications for time extensions with a payment, and did not, or paid less than they were required to pay.

Corporate taxpayers that filed applications for time extensions without a payment or with an insufficient payment could be subject to a surcharge of up to 10%, plus interest at a 10% annual rate.

Other factors that may have influenced the behavior of corporate taxes include: credits and other residual items from previous years that were higher than those taken into consideration in this year’s projections and reduced the tax payments, purchase of tax credits above projections, a timing difference in filing of tax returns by corporations as some close their books on dates other than December 31 (e.g., corporations that close their books on January 31 file their tax returns on May 15).

In addition, Acosta Febo stated that at \$105.6 million, Sales and Use Tax collections reached the highest historic level for the month of April and for any other month except December and January. Moreover, the year-over-year increase in April, at 13.2%, was the highest for any month since the SUT was implemented. “We believe this behavior is due to the combined result of several fiscal oversight strategies aimed at reducing tax evasion and enhancing the capture rate of the Sales and Use Tax,” she noted.

The Officer stated that she informed the Legislative Assembly this week, during the public budget hearings, that the Treasury Department continues to observe the behavior of revenues in the present fiscal year—while the FY 2015 budget is being considered—and its effect on estimates in order to keep the Legislature informed of any changes. While preparing the revenue estimates for the FY 2015 budget, the FY 2014 revenue base was already reduced by \$537 million. The Treasury Department is analyzing April revenues to determine whether they could impact FY 2015 estimates.

“The Treasury Department will continue working on a fair tax reform that simplifies tax processes and promotes economic development, and will continue strengthening oversight efforts to increase the capture rate and fight against tax evasion to attain the financial goals we have set. Puerto Rico faces difficult and extraordinary times that demand that we all fulfill our responsibilities and contribute towards the reconstruction of our Island,” Acosta Febo concluded.

General Fund Net Revenues
April
(million of \$)

Items	Abril		Dif.	Estimate Abril	Collections vs. Estimate
	2012-13	2013-14			
Gross General Fund Net Revenues	1,033.7	1,229.9	196.2	1,672.2	(442.3)
Reserve for Refund	(49.0)	(49.0)	-	(49.0)	0.0
General Fund Net Revenues	984.7	1,180.9	196.2	1,623.2	(442.3)
Individual	304.1	332.4	28.3	360.7	(28.3)
Corporations	293.4	396.0	102.6	776.2	(380.2)
Non-Resident Withholdings	40.9	42.7	1.8	60.0	(17.3)
Sales and Use Tax	93.0	105.3	12.3	109.0	(3.7)
Property Taxes	0.9	2.1	1.2	1.0	1.1
Foreign (Act. 154)	127.0	169.0	42.0	184.7	(15.7)
Alcoholic Beverages	21.2	19.7	(1.5)	20.6	(0.9)
Cigarettes	15.5	19.8	4.3	15.6	4.2
Motor Vehicles	36.6	32.3	(4.3)	37.6	(5.3)
Excises on Off-Shore Shipment Rum	13.5	15.5	2.0	8.1	7.4
Others	38.6	46.0	7.4	49.7	(3.7)

General Fund Net Revenues
 July - April FY 2013-14
 (million of \$)

Items	July-April Collections		Dif.	Estimate Jul-Apr	Collections vs. Estimate
	2012-13	2013-14			
Gross General Fund Net Revenues	7,285.8	7,751.2	465.4	8,107.1	(355.9)
Reserve for Refund	(490.0)	(490.0)	0.0	(490.0)	0.0
General Fund Net Revenues	6,795.8	7,261.2	465.4	7,617.1	(355.9)
Individual	1,692.5	1,683.5	(9.0)	1,695.5	(12.0)
Corporations	945.1	1,515.8	570.7	1,942.5	(426.7)
Non-Resident Withholdings	834.3	793.7	(40.6)	695.8	97.9
Sales and Use Tax	351.6	376.8	25.2	387.7	(11.0)
Property Taxes	10.1	16.4	6.3	14.0	2.4
Foreign (Act. 154)	1,414.9	1,526.7	111.8	1,556.5	(29.8)
Alcoholic Beverages	227.3	225.8	(1.5)	227.4	(1.6)
Cigarettes	150.1	144.1	(6.0)	142.2	1.9
Motor Vehicles	341.2	333.9	(7.3)	353.6	(19.7)
Excises on Off-Shore Shipment Rum	216.0	222.4	6.4	200.4	22.0
Others	612.7	422.0	(190.7)	401.5	20.5

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