



Percentage



Economy



Pie chart

# Tax Alert: Municipalities seek to boost collections

June 22, 2017

Municipalities have felt the tug of the monetary constraints that have put in place to curtail the current fiscal crisis. Fiscal assignments from the Central Government, long counted upon are but memories of a not-so-distant past, rousing Municipalities to come up with creative (or obvious) ways to cover the assignment shortfall. This has resulted in various municipalities issuing new ordinances in the past few months to this end. In this Alert we specifically addressed two recent ordinances issued by the municipalities of Ponce and Caguas.

## **Municipality of Ponce**

On May 18, 2017, the Municipality of Ponce introduced Municipal Ordinance No. 32 to impose a two percent (2%) increase to both personal and real property tax rates. For personal property taxes, the effective tax rate will increase from the current 8.33% to 10.33%, and will take place for tax years commenced after December 31, 2017. On the other hand, the real property tax rate increases from 10.33% to 12.33% and will be effective on July 1, 2017.

## **Municipality of Caguas**

Also looking to gather additional financial resources for its constituents, the Municipality of Caguas instituted on June 8, 2017, Municipal Ordinance No. 28 to establish a temporary zero point thirty-five percent (.35%) municipal contribution ("*Aportación Empresarial Municipal*") to both individuals and business that are subject to the Municipal License Taxes and whose declared Volume of Business is equal to, or exceeds, \$3MM for the calendar year ended on December 31, 2016.

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The AEM, as it is known for its acronym in Spanish, will commence on July 1, 2017, and will be effective for Fiscal Years 2017-218 through 2020-2021. The Municipality will bill the taxpayer and the tax will be due on August 15 of every year. Nevertheless, the Taxpayer will be allowed to pay for the AEM in four (4) installments:

- August 15
- November 15
- February 15
- May 15

If the taxpayer fails to comply with the payment of the AEM, the Ordinance allows for the imposition of one percent (1%) monthly interest and surcharges of up to twenty-five percent (25%) on any unpaid amount.

**Note:** As highlighted in our July 1, 2016 Tax Alert, PROMESA seeks to provide Puerto Rico with fiscal and economic discipline through the creation of a control board, among other things. Virtually every fiscal decision by the Government of Puerto Rico will be made or approved by the Oversight Board created by PROMESA. On this regard, the board has authority to prevent the execution or enforcement of a contract, rule, executive order or regulation to the extent that it is inconsistent with the approved fiscal plan.

Please contact our Tax Department should additional information is required regarding this or any other tax issue. We will be glad to assist you.



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