

PRESS RELEASE



Office of the Secretary

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COMMONWEALTH GOVERNMENT FILES PETITION TO DISMISS DORAL'S COMPLAINT BEFORE THE COMMONWEALTH COURT

Motion Alleges Lack of Jurisdiction over Tax Matters And Intent to Ignore Adequate Remedies at Law

Today, Treasury Department Secretary Melba Acosta Febo announced that the Commonwealth filed a motion to dismiss Doral's complaint with the San Juan Court of First Instance. The motion alleges that the Court lacks jurisdiction over the subject matter in light of the fact that the Treasury Department is the agency with primary initial jurisdiction to settle matters relative to plaintiffs' claims, and the existence of an adequate remedy at law that was already underway, all of which Doral cannot ignore.

"As we have said, this is a matter of utmost importance. Therefore, we will vigorously defend the interests of the people of Puerto Rico in this litigation. This is not about evading a payment responsibility, as has been represented. The Treasury Department and the Commonwealth pay legitimately incurred debts. Accordingly, there is no way that this multi-million amount will be paid, since Doral Financial Corporation does not have a right to the payment," the Secretary stated.

The motion reads: "Without a doubt, the controversy plaintiff has brought before the consideration of this court, attempting to make it look like the case is easy to decide and that it only requires evaluating the Agreement and the applicable legal provisions, does not account for the complexities that a thorough and conscientious evaluation of such controversy implies. This case presents controversies of facts, including, but not limited to, party identity in agreements. In addition, it requires making a technical evaluation, based on the provisions of the Internal Revenue Code, by personnel with accounting and tax expertise, to establish how the right to a future amortization can turn into the right to receive a cash refund. All this requires reviewing tax returns, payments, interests, accounting books and books for tax purposes, among others documents."

In its motion, the Treasury Department also alleged that, without a doubt, the Treasury Department is the entity authorized to initially decide the correction of the tax actions in controversy, and the entity empowered by law to determine the applicable tax treatment. In this regard, it is proper in law for the Treasury Department to hear this matter through the applicable administrative procedure for such requests.

The motion states that this action arises from the Final Agreement executed on March 26, 2012, by and between Doral Financial Corporation (“DFC”) and the Treasury Department, headed by then Secretary Jesús F. Méndez Rodríguez, and represented in the Agreement by Deputy Secretary Blanca A. Álvarez Ramírez. Said parties reached an agreement under the provisions of the 2011 Puerto Rico Internal Revenue Code, Act 1-2011, specifically under Section 6051.07 on Final Agreements, through which they turned one possible tax saving, resulting from deducting the amortization of an asset, into a tax overpayment in the amount of \$229,884,087. This was done despite the fact that DFC and its affiliates never paid excess taxes in said multimillion amount.

The motion to dismiss also sets forth: “The Final Agreement turned \$229,884,087 into an ‘allegedly’ refundable amount and, therefore, into an ‘alleged debt’ of hundreds of thousands of dollars owed by the Commonwealth to Doral, without the State receiving any benefit from said debt. This scenario is particularly relevant given the serious economic crisis Puerto Rico and its government institutions are currently facing.”

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