



ESTADO LIBRE ASOCIADO DE  
**P U E R T O R I C O**  
COMUNICADO DE PRENSA

**For immediate release**

**Contacts:** Jesús Manuel Ortiz (787) 579 2231

Ileana Báez Bravo (787) 354 8811

## **PUERTO RICO GOVERNOR ALEJANDRO GARCÍA PADILLA PROPOSES NEW TAX SYSTEM**

***The Governor's Proposal Will Reduce Income Tax Rates for Individuals and Corporations, Eliminate the Gross Receipts Tax (Patente Nacional) and Create a System of Reimbursement for Low Income Families***

February 10, 2015 – Fortaleza – Tonight, Governor Alejandro García Padilla presented his proposal for transforming Puerto Rico's current tax system to a simpler and fairer one that will increase economic development on the Island. The Governor's proposal will dissuade tax evasion head-on and dramatically reduce income taxes for citizens. This will leave more money in people's pockets, and give them the power to decide how much they contribute to the system through their daily consumption. The Governor plans to formally introduce the bill tomorrow for a new tax code.

"We currently have a tax system that penalizes work and productivity while encouraging evasion. It is inefficient and unfair. The current system punishes the middle class and the poor that work so hard to provide for their families," said Governor García Padilla.

The Governor explained that this tax overhaul aims to evenly distribute the tax responsibility amongst citizens. Currently, income tax revenues are the principal source of revenue for the Commonwealth, consisting of 85 percent from salaried workers and 15 percent of those that are self-employed. In Puerto Rico, only 12,000 people file tax returns for \$150,000 and up of annual income, which is in stark contrast to the luxury cars and houses we see on our streets, said the Governor.

"The current system hinders economic development because it rests on the shoulders of our hard workers. Over 80 percent of those that pay taxes are working class people who are



unable to hide their income or come up with exemptions and avoid paying. The fact that some pay while others ignore their tax responsibility is an injustice that needs to end now,” said García Padilla.

The new tax code that will be presented to the Legislature tomorrow replaces the Sales and Use Tax (SUT) with a Value-Added Tax (VAT), in which citizens pay taxes for what they buy. It would also eliminate Puerto Rico’s Gross Receipts Tax (Patente Nacional) and will exempt of income taxes the first \$40,000 of income for individuals and \$80,000 for married couples, regardless of their total annual salary.

The goal is to create a fair and effective system based primarily on taxing consumption, in which people will see a dramatic reduction in income contributions. This will be accompanied by credits for businesses, as well as reimbursements for the poor and elderly citizens, reimbursing part of the VAT paid to those who need it the most.

In the end, responsible citizens will pay less taxes; 850,000 tax payers will not have to pay income tax and the rest will see a reduction in contributions paid. After the new system is in place, no tax payer will pay over an effective rate of 21 percent, which currently can reach up to 38 percent. Tax rates for corporations will be reduced by 25 percent.

Additionally, García Padilla proposed that “three times a year, those who earn \$35,000 or less receive an additional tax return check for what they have paid in purchase taxes. Those who earn \$20,000 or less will be reimbursed 100 percent. I’ve also proposed that prescription medication, groceries, private property leasing and public schools shall be exempt from all taxes.”

“With this tax system overhaul we can help direct the Island’s revenues towards the future, and ensure that we will borrow less, pay our current debts and pay down the debt previous administrations committed to without the appropriate means for repayment.”

“I became Governor to confront the problems inherited by previous administrations. I am not looking for excuses, but rather solutions. These are problems that were not created overnight and that will not be solved overnight, but we are seeing results,” said the Governor.

“I know that there are other sectors lagging behind, and I know that there is still a lot to do. But, together, we can make it happen,” concluded the Governor.

-###-

