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Tax Alert 2013-05

Government Enacts New Property Tax Amnesty

On December 9, 2013, the Governor of the Commonwealth of Puerto Rico signed Act No. 145 (Act 145) to establish a new property tax amnesty. Act 145 delegates to the Municipal Revenue Collection Center (MRCC) the power to regulate various matters related to this amnesty such as its commencement date, among others, through the issuance of Administrative Order 2013-06. The provisions of this new amnesty are as follows:

- The amnesty period applies to both, real and property taxes.
- The amnesty will be in place for 100 days beginning on December 18, 2013 and finalizing on March 27, 2014.
- The amnesty will not apply to real property tax deficiencies related to the fiscal years 2013-2014 and thereafter. The applicable tax for this period must have been paid in full. For personal property taxes, the amnesty will not be available for tax deficiencies related to the 2013 tax return or subsequent years.
- The amnesty provides for the abatement of 100% of all accumulated interest, surcharges and penalties on tax deficiencies covered by the amnesty.
- The principal portion of the tax deficiency can be paid in full or through an installment plan.
- Taxpayers with unfiled personal property tax returns and interested in taking advantage of the amnesty period will have to file all pending tax returns and pay the principal amount in full. Any personal property tax return must be filed accompanied with a copy of the corresponding income tax return.
- As mentioned above, taxpayers will have the option to pay the principal in various forms of installment plans as follows: (1) Taxpayers may elect to pay the principal in 12 equal monthly installments without any interest charges. Under this option, taxpayers must pay upfront a 10% of the outstanding principal; (2) Taxpayers may also choose to pay the principal in 24 equal monthly installments paying upfront 10% of the outstanding principal. Under this option, taxpayers will be subject to a 5% annual interest charge; (3) Taxpayers will also have the option to pay the outstanding principal in 36 equal monthly installments paying upfront 10% of the outstanding principal. Under this option, taxpayers will be subject to a 7% annual interest charge; (4) Under the final option, taxpayers will be allowed to pay the outstanding principal in 48 equal monthly installments paying upfront 10% of the balance. Under this final option, taxpayers will be subject to an annual interest charge of 10%.
- Taxpayers with prior payment plans in place with the MRCC will be allowed to renegotiate the unpaid balance and take advantage of the amnesty period.

Taxpayers Will Now Be Subject to Personal Property Tax Estimated Tax Payments

On a related matter, the Governor also signed Act No. 136 of November 26, 2013 (Act 136), which amended the Municipal Property Tax Act as follows:

- Effective for tax years commenced after December 31, 2013, taxpayers will be required to pay the personal property tax responsibility in 4 equal installments instead of paying the tax with the tax return or the extension request as it was previously done.
- These estimated tax payments will be due on the 15th day of August, November, February and May.
- Failure to comply with these rules will carry a 5% penalty of the underpaid estimated tax. To avoid these penalties, taxpayer should make sure that the estimated tax paid during the year equals the lower of: (1) at least 90% of the total tax for the year, or (2) the total tax paid in the prior year.
- Act 136 mentions that effective for years commenced after December 31, 2013, the 5% discount available for early payment will be available only for taxpayers that pay the total tax paid in the prior year with the first installment due in August 15.

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