

(House Substitute for
H. B. 2032, H. B. 2838,
H. B. 2839, and H. B. 2840)

(No. 54-2016)

(Approved May 26, 2016)

AN ACT

To amend Sections 1000.02, 1033.17, 4020.01, 4020.02, repeal the entire Subtitle DD, which includes Sections 4110.01 through 4180.02, amend Sections 4010.01, 4210.01, 4210.02, 42010.03; repeal all Sections from Section 6046.01 through Section 6046.09; amend Sections 6051.19, 6054.01, 6054.02, 6054.03, 6054.04, 6054.06, 6080.14, and 6110.04 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to eliminate the Value-Added Tax; and for other related purposes.

STATEMENT OF MOTIVES

There comes a time in the development of nations in which individual aspirations must be disregarded to attain common goals. When that time finally arrives, society must evolve and begin to define collective needs that are essential to improve the quality of life of its members. It is then that we realize, as a community, how trivial our supposedly irreconcilable differences are and begin to pave the way for our future with certainty and solidarity.

The fiscal situation that we are facing calls for greater transparency and responsibility in spending so as to achieve fiscal stability, a well-balanced budget, and economic recovery. Tax systems must be just, effective, and equitable for the people, and appropriately balance and distribute the contributions made by the various socioeconomic levels as well as the services and benefits they receive from the State.

Bearing this in mind, the Governor of Puerto Rico, Honorable Alejandro García-Padilla, asked the Legislative Assembly in his State of the Commonwealth Address to revise Puerto Rico's tax system in order to serve the tax justice that could not be served upon the defeat of H. B. 2329, better known as the "Commonwealth of Puerto Rico Tax System Transformation Act."

Honoring its commitment to the Governor, the Legislative Assembly once again opened the debate on what "a just and balanced tax system" should be. To such ends, we summoned, and appreciate the involvement and input of the following entities: the Department of the Treasury, the College of Certified Public Accountants of Puerto Rico, the Industrial Development Company, the *Asociación de Comercio al Detal*, the Manufacturers Association, the Puerto Rico Chamber of Commerce, the Puerto Rico Restaurant Association, the Puerto Rico Builders Association, the Puerto Rico Association of Realtors, Inc., the Puerto Rico Bankers Association, the Puerto Rico Insurers Association, and the AARP.

H. B. 2838, H. B. 2839, and H. B. 2840 contained the same tax reliefs that had been included in H. B. 2329 at the time. However, each one of those Bills put on paper the ideas presented by the detractors of the tax reform when H. B. 2329 was being analyzed. H. B. 2032 was included, the idea of which also arose during the discussion of said measure. Thus, the commitment the Legislative Assembly had made to the Governor and the People to discuss the implications of each bill thoroughly was fulfilled promptly and without hesitation.

H. B. 2032

This Bill establishes a one point five percent (1.5%) additional contribution on the payments made to persons outside of Puerto Rico who have some kind of capital investment on the Island. This repatriation of capital gains is commonly known as tollgate tax.

Although some witnesses presented their objections to the initiative, the tollgate tax was not the main issue, but rather that the legislative measure was poorly drafted and ambiguous. The uncertain concepts introduced by H. B. 2032 make it difficult for this Legislative Assembly to establish exact figures and amounts. However, the Department of the Treasury estimates that it would only generate \$406 million. As for the proposed Tax Benefits, the initiative represents a \$742.6 million insufficiency.

The tollgate tax concept needs to be studied more in depth; however, H. B. 2032 fails to do so. Firstly, it fails to properly define the concept and the basis upon which it would be applied. Secondly, it employs economic concepts for tax purposes, which shows a lack of knowledge with regards to the idea it intends to promote. The Department of the Treasury summarizes the foregoing very well by stating that “[*i*t is ambiguous to establish a tax based on an economic concept that is neither specific nor detailed and which, furthermore, is established in a document that has no legal basis and is not binding.” Lastly, but related to the foregoing, the measure empowers the Planning Board to choose the items to be included in the excise tax, even though it clearly lacks the expertise or experience necessary to do so.

For all of the foregoing, this Legislative Assembly believes that, although the tollgate tax idea could be studied and developed further as a future alternative, H. B. 2032 is not the appropriate vehicle for its implementation given the ambiguity issues in the legislative measure.

H. B. 2832

This bill seeks to eliminate the Sales and Use Tax and replace it with the Consumption Tax; eliminate the Value-Added Tax; increase the general tax rate from eleven point five percent (11.5%) to fifteen percent (15%); and create lower intermediate tax rates for food, business-to-business services (b2b), and designated professional services.

The Department of the Treasury estimates that the revenues generated by H. B. 2838 would be around \$679 million over what we have collected as of today. As for the proposed tax benefits, the initiative represents a \$469.6 million insufficiency.

The main issue with this initiative is that, even though some items would be reduced, increasing the eleven point five percent (11.5%) tax to fifteen percent (15%) created much uncertainty with regards to our currently fragile economy.

H. B. 2839

This bill seeks to establish a general ten percent (10%) excise tax on every use or consumption item not encumbered by another excise tax; eliminate general excise tax exclusions and exemptions; and eliminate the Sales and Use Tax and the Value-Added Tax.

The Department of the Treasury estimates that the revenues of the general ten percent (10%) excise tax would amount to \$182.7 million vis-à-vis what we receive at present. As for the proposed tax benefits, the initiative represents a \$965.9 million insufficiency.

The main issue with this initiative is that, according to a study prepared by the Consumption Tax Transformation Alternatives Commission (CATIC, Spanish acronym), to achieve the revenue objectives, the general excise tax must have a broad tax basis that includes intermediate goods (raw material) or nominal tax rates ranging between nineteen percent (19%) and thirty-eight percent (38%). Many of the entities present were concerned that increasing the cost of raw materials would render local industries less competitive, given that the cascade effect and pyramiding would affect and distort production, vertical integration, and final pricing.

Nevertheless, this Legislative Assembly believes that the general excise tax idea as well as the initiative of creating suitable excise taxes for certain goods should be studied in depth.

H. B. 2840

This bill seeks to increase to five point five percent (5.5%) the excise tax on certain acquisitions, by nonresident individuals, corporations, or partnerships, of products manufactured or produced in whole or in part in Puerto Rico and services in connection with said products from entities affiliated to the buyer; establish the excise tax permanently; keep the Sales and Use Tax; and eliminate the Value-Added Tax.

Act No. 154-2010 established a special four percent (4%) tax for foreign corporations for the purchase of movable tangible property manufactured in whole or in part in Puerto Rico and services performed in connection with said property by a related entity in Puerto Rico whose gross receipts exceed \$75 million annually. This excise tax expires in December 2017. The IRS has allowed credits for the amounts paid here at the federal level, however, there is no official ruling thereon.

The Department of the Treasury stated that \$1.943 billion were collected in 2015 on account of the tax imposed under Act No. 154-2010, which represented twenty-one point seven percent (21.7%) of the total gross revenues of the General Fund. Ten (10) companies pay at least eighty percent (80%) of this tax. The estimated revenues for fiscal year 2016 are \$1.878 billion.

The Department of the Treasury estimates, after establishing a formula to try to predict the possible industry behavior in the face of the approval of a measure such as this one, that the proposed increase would be \$333 million vis-à-vis what we receive at present. As for the proposed tax benefits, the initiative represents an \$815.6 million insufficiency.

The main issue with this initiative is the extent to which the State's revenues are already committed with so few taxpayers. If one of these companies decides to relocate its operations, it would have detrimental effects on the Government and the Island. Also, there is uncertainty with regards to the IRS, since its determination to

allow a credit for the amounts paid in Puerto Rico is not final. On the other hand, the increase would directly affect businesses whose parent companies are outside of the United States, since they cannot obtain a credit for the amounts paid.

This Legislative Assembly concludes that the idea of increasing the excise tax imposed under Act No. 154-2010 is too risky because it threatens the jobs of the thousands of persons who currently work in the companies that would be affected, even more so when the determination to allow credit, at the federal level, for amounts paid locally is not final.

After listening to each of these groups and analyzing their arguments, petitions, and the information provided, this Legislative Assembly is ready to share, with the People, the main findings, facts, and conclusions with respect to the tax system:

- Puerto Rico cannot bear another tax increase.
- This is not the time to make drastic changes to the tax system in effect.
- A “tax reform” should be a priority for the next Administration.
- The “tax reform” should be implemented with the consensus of the People, and the political sector has to commit to not making any significant changes for ten (10) years so it can mature properly.
- The agreed on “tax reform” must be implemented in a gradual and orderly fashion, and no drastic changes should be made to the system to allow the citizens as well as the business and industrial sector to prepare.
- The “tax reform” shall be based on the following principles:
 - It shall not affect the economic development.
 - It shall not punish success.
 - It shall be a streamlined and easy to oversee system.
 - It shall be simple for taxpayers.

- It shall not be burdensome for taxpayers.

The Legislative Assembly believes that, in view of the findings and facts gathered from the public hearing process, the following initiatives shall be taken:

- In the short term:
 - In order to avoid raising taxes on citizens and disrupting Puerto Rico's fragile economy, the tax increase from four percent 4% to eleven point five percent (11.5%) legislated for the service area should be repealed, and the current tax on consumption should not be changed for another one that has not been explained and for which neither the State, nor businesses, or the people are ready.
 - Technical changes shall be made to the current tax, in order to correct some situations that have caused problems in the implementation of the Sales and Use Tax, and exemptions shall be granted in connection with the gross income of certain public and private entities.
- In the long term:
 - The "tax reform" should integrate modern trends which strike a healthy balance between income taxes, property taxes, and consumption taxes, in order to create a stable system that minimizes the risk of relying mostly on any one of them.
 - The "tax reform" should integrate state and municipal collection systems that share the same tax base in order to make them more efficient in terms of both the collection of revenues for the State Government and the Municipal Government, as well as more simple and convenient for business and citizens alike.

- The “tax reform” should revise the municipal personal property tax and the effect and relation thereof with the consumption tax and the form and manner of doing business in Puerto Rico.
- The “tax reform” should update the real property tax systems by incorporating current technologies in order to broaden its tax base without raising the tax.
- The “tax reform” should increase State revenues through the capture model’s own efficiency rather than through tax increases.

It must be noted that during the parliamentary process, this Legislative Assembly had before its consideration H. B. 2783 sponsored by the Hon. Jenniffer González-Colón and the Delegation of the Parliamentary Minority which sought to repeal Subtitle DD of the Internal Revenue Code of 2011. On that occasion, this Legislative Assembly reported said measure unfavorably because we had given our word to the Governor, and in order to continue analyzing the implications of Act No. 72-2015.

German novelist Johann Wolfgang Goethe said: “The only man who never makes a mistake is the man who never does anything.” After receiving and analyzing the results of the public hearings on H. B. 2032, H. B. 2838, H. B. 2839, and H.B. 2840, this Legislative Assembly wishes to rectify its position on H. B. 2783. If the legislative process for H. B. 2783 had not concluded upon the presentation and approval of the Unfavorable Report, such measure would have been an integral part of this legislation.

The Committee on Ways and Means and Budget believes that the purpose of the House Substitute for H. B. 2032, H. B. 2838, H. B. 2839, and H. B. 2840 is to address the legitimate concerns arising from the public hearing process on the implementation of the Value-Added Tax and is directed at providing citizens, the commercial and industrial sector, and the system itself with stability and certainty.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Section 4010.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code of Puerto Rico of 2011,” is hereby amended to read as follows:

“Section 4010.01.- General Definitions.—

For the purposes of this Subtitle, the following terms, words, and phrases shall have the general meaning expressed below, except when the context clearly indicates otherwise:

(a) ...

(nn) Taxable Services.—

(1) ...

(2) ...

(3) Taxable services shall exclude the following for events occurring after September 30, 2015:

(A) ...

(G) Healthcare or medical hospital services, whether for humans or animals, which do not include prescribed medications or provided by veterinarians to be used on animals, including administrative services provided to an insurer that qualifies for full reimbursement by Medicare, Medicaid, or the health insurance plan of the Commonwealth of Puerto Rico;

For the purposes of this paragraph (G), the term ‘healthcare services’ shall mean:

(A) Services offered by physicians authorized to practice medicine in Puerto Rico and health professionals holding a license issued by the Health Professionals Regulation and Certification Office within the Department of Health and the Medical Discipline and Licensure Board, including dental and eye care services, diagnostic testing services; provided, that such services

constitute ordinary and necessary expenses of a trade or business under Section 1033.01 of this Code or medical expenses under Section 1033.15(a)(4) of this Code, regardless of whether or not the individual receiving the service may claim a deduction under said Section.

(B) Services paid or that qualify as expenditures allowed under current or future Medicare and Medicaid rules promulgated by the U.S. Department of Health and Human Services and the health insurance plan of the Commonwealth of Puerto Rico.

(C) Medical expenses incurred while providing care, attention, and treatment to patients diagnosed with Phenylketinuria (PKU) in relation to the medical care provided to the person, his/her spouse, or minor children, including expenses related to nutritionists, physicians, prescribed medications, and products used to follow the meal plan required for persons diagnosed with said condition, including the ‘Phenylalanine-free Amino Acid Mixture.’ Medical expenses include laboratory deductibles, hospitalization, and specialized tests all related to PKU.

(D) Expenses incurred while providing healthcare services, including, but not limited to Mental Health and Substance Abuse services, pharmacy benefit manager or PBM services, Independent Physician Association or IPA services, services to self-insured groups, clearing houses, and any others whose duties include the provision of healthcare services, or healthcare coverage delegated by the insurer.

...”

Section 2.- Section 1000.02 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1000.02.- Classification of Provisions.

The provisions of this Code are hereby classified and designated as:

Taxpayer Bill of Rights

Subtitle A.- Income Taxes

Subtitle B.- Estate and Gift Taxes

Subtitle C.- Excise Taxes

Subtitle D.- Sales and Use Tax

Subtitle E.- Beverages

Subtitle F.- Administrative Provisions, Interest, Penalties, and Additions to the Tax.”

Section 3.- Subsection (a) of Section 1033.17 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1033.17.- Non-deductible Items.

(a) General Rule.- In computing the net income, in no case shall deductions be allowed with respect to:

(1) ...

(19) Expenses incurred or paid for services rendered by a nonresident individual if the taxpayer has not paid the Sales and Use Tax imposed under Subtitle D of this Code, on such services. This paragraph (19) shall not apply if the services are subject to an exclusion or exemption from the payment of the Sales and Use Tax.

(20) The cost or depreciation of any taxable good or item, as defined in Subtitle D of this Code, even when the same is considered or is part of an ordinary and necessary expense of the business, if the taxpayer has not paid the Sales and Use Tax imposed under Subtitle D of this Code. This paragraph (20) shall not apply if

the taxable good or item, as defined in Subtitle D of this Code, is subject to an exclusion or exemption from the payment of the Sales and Use Tax.

(b) ...”

Section 4.- Section 4020.01 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 4020.01.- Sales Tax.

(a) There shall be levied, collected, and paid on every sales transaction of a taxable item in Puerto Rico, a tax at the rates established in this Section. The application of the tax shall be subject to the exemptions allowed under Chapter 3 of this Subtitle.

(b) The tax rate shall be five point five percent (5.5%) of the sales price of the taxable item and bundled transactions; provided, that effective on February 1, 2014, the tax rate shall be six percent (6%).”

Section 5.- Section 4020.02 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 4020.02.- Use Tax.

(a) There shall be levied, collected, and paid on the use, storage, or consumption of a taxable item in Puerto Rico, unless the taxable item has been subject to the sales tax under Section 4020.01 of the Code, a tax at the rates established in this Section.

(b) ...

(c) ...

(d) The tax rate applicable to the sales price of the taxable item and bundled transactions; shall be:

(1) five point five percent (5.5%) through January 31, 2014;

(2) six percent (6%) after February 1, 2014.”

Section 6.- Subtitle DD, which includes Section 4110.01 through Section 4180.02 of Act No. 1-2011, as amended, is hereby eliminated.

Section 7.- Subsections (a) and (c) of Section 4210.01 of Act No. 1-2011, as amended, are hereby amended to read as follows:

“Section 4210.01.- Consumption Surtax - Sales Tax.

(a) There shall be levied, collected, and paid, at the rate established in this Section and in addition to the sales and use tax established in Subtitle D of this Code, a tax on every sales transaction of a taxable item in Puerto Rico made after June 30, 2015. The application of the tax shall be subject to the exemptions allowed under Chapter 3 of Subtitle D of this Code.

(b) ...

(c) There shall be levied, collected, and paid a tax on business to business services and designated professional services as defined in Subtitle D of this Code rendered after September 30, 2015. The applicable tax rate shall be four percent (4%). Provided, that the exceptions established in Chapter 3 of Subtitle D of this Code shall apply to the tax established in this subsection in the same manner as they would apply to taxable services under subsections (a) and (b) of this Section.

(d) ...”

Section 8.- Subsections (a) and (c) of Section 4210.02 of Act No. 1-2011, as amended, are hereby amended to read as follows:

“Section 4210.02.- Consumption Surtax - Use Tax.

(a) There shall be levied, collected, and paid a tax at the rate established in this Section and in addition to the Sales and Use Tax established in Subtitle D of this Code on the use, storage, or consumption of a taxable item in Puerto Rico made after June 30, 2015, unless the taxable item has been subject to the sales tax under Sections 4020.01 and 4210.01 of this Code.

(b) ...

(c) There shall be levied, collected, and paid a tax on business to business services and designated professional services as defined in Subtitle D of this Code rendered after September 30, 2015, insofar as the taxable item is not subject to the sales tax under Sections 4020.01 and 4210.01 of this Code. The applicable tax rate shall be four percent (4%). Provided, that the exceptions established in Chapter 3 of Subtitle D of this Code shall apply to the tax established in this subsection in the same manner as they would apply to taxable services under subsections (a) and (b) of this Section.

(d) ...”

Section 9.- Section 4210.03 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 4210.03.-
Reserved.”

Section 10.- Section 6046.01 through Section 6046.09 of Act No. 1-2011, as amended, are hereby eliminated.

Section 11.- Section 6051.19 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6051.19.- Information Technology Consultant.

The Secretary ...

The duties of the information technology consultant include ...

The Secretary shall hire, without it being construed as a limitation, an information technology consultant for the following projects and programs related to the Department:

(a) ...

(f) Reserved,

(g) ...

Information technology consultants ...

Information technology consultants ...”

Section 12.- Subsection (a) of Section 6054.01 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6054.01.- Powers of the Secretary under Subtitle D.

(a) For the purposes of the application and administration of Subtitle D, and in addition to any other duties and powers established therein, the Secretary is hereby empowered to:

(1) Examine records, bank statements, documents, properties, sites, premises, inventories, or any other material related to items, transactions, business, or activities subject to the taxes and fees established under Subtitle D. Any person in charge of any establishments, sites, premises, or objects subject to examination or investigation shall facilitate any examination required by the Secretary. Non-presence of the owner or head of an establishment shall not constitute a cause or a justification to prevent such examination from being conducted.

(2) Establish, through regulations, circular letter, information bulletin, or any other determination of a public nature issued by the Secretary to such effect, any conditions concerning the issuance of merchant registration certificates, payment or withholding exemption certificate of the tax imposed under Subtitle D. In order to ensure due compliance with the terms, provisions, and purposes of Subtitle D, the Secretary may impose, among any others which he may deem necessary, the following requirements and conditions:

(A) ...

(B) To require, under the parameters prescribed by the Secretary, the posting of a bond in the amount of any tax, administrative fine, surcharge, or interest that may apply under Subtitle D;

(C) ...

(D) To require the merchant to post signs to duly notify and inform consumers of their right, to the extent practicable, to receive a sales receipt showing the Sales and Use Tax Oversight drawing number or the fiscal voucher showing the fiscal voucher number, and impose penalties for failure to satisfy the requirement of posting such signs.

(3) To revise, from time to time, the bonds posted by taxpayers pursuant to the provisions of Subtitle D, and require the increase in their amount or the posting of a new bond when, in his judgment, the bond posted is not sufficient to secure payment of taxes plus interest, surcharges, and administrative fines that may be imposed on the bonded taxpayer.

(4) To inspect and oversee merchants by means of fiscal terminals, applications, mechanisms, devices, the Sales and Use Tax Oversight Program, or other electronic means, as well as require the installation, connection, and use of such equipment, applications, programs, mechanisms, or devices in business as required by the Secretary through regulations, circular letter, general information bulletin or administrative determination. No person or merchant may alter, interfere, disconnect, or destroy the applications, equipment, programs, applications, mechanisms, or devices required under this paragraph, nor prevent, interfere, object to, or obstruct the Secretary or any of his authorized agents' access to the installation, connection, inspection, or any other procedure conducted by the Secretary or his authorized agent in connection with the inspections and oversight operations authorized under this paragraph.

(5) To revoke the internal revenue license of any person who fails to comply with the provisions of Subtitle D or the regulations thereunder, upon conducting administrative procedures pursuant to Act No. 170 of August 12, 1988, as amended, known as the 'Commonwealth of Puerto Rico Uniform Administrative Procedures Act.' The Secretary may, upon such revocation, deny the issuance of a

new license for such period as he may deem necessary in his judgment. This action shall not preclude any other judicial proceedings or administrative procedures authorized by law.

(6) To retain, for as long as necessary, any document obtained or furnished pursuant to Subtitle D, in order to use such documents in the investigations or procedures established under Subtitle D, or to be filed with the Department of the Treasury.

(7) ...

(8) To approve and adopt any such rules and regulations as are necessary for the administration and application of Subtitle D.

(9) To delegate to any officer, official, or employee of the Department of the Treasury any such powers and duties as he may deem necessary and convenient to discharge any function or authority conferred under Subtitle D, except for the rulemaking authority.

(10) To limit the effects of his administrative decisions to taxable transactions after such action is taken in eminently contentious cases as to the scope and nature of the sales or use tax, or other factors that affect the amount imposed as tax.

(11) To reasonably extend the term fixed under Subtitle D to discharge any duty or obligation or to take action under a conditional exemption or otherwise if, in his judgment, the imposition of the restrictive period would entail a penalty or undue hardship under the circumstances of each case, and when the granting of such extension does not compromise the best interest of the Government of Puerto Rico, and when there is no indication as to negligence on the taxpayer's part. Except as otherwise provided in this Subtitle of the Code, the Secretary shall not exercise this discretionary power with regards to terms of payment. The

Secretary may impose any such conditions as he may deem appropriate for granting the time extension.

(12) ...

(13) ...

(14) To allow or require, through any such rules as he shall establish by circular letter or regulations, the filing of any tax returns, declarations, or forms required under Subtitle D, as well as the electronic payment of the sales or use tax established in said Subtitle, electronically. In such cases, the taxpayer's digital signature or electronic authentication mechanism shall be accepted as valid for all the purposes provided by the Code.”

Section 13.- Section 6054.02 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6054.02.- Business Demand Deposit Account System.

The Secretary shall require the establishment of an account in a local financial institution organized or authorized to do business in Puerto Rico by the Financial Institutions Commissioner's Office, the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico, or by any other regulatory entity of the Commonwealth of Puerto Rico in order to remit the Sales and Use Tax to the Department of the Treasury. This requirement shall apply to businesses, even if they are not required to collect the Sales and Use Tax. The Secretary shall prescribe by regulations the processes related to this requirement.”

Section 14.- Section 6054.03 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6054.03.- Sales and Use Tax Oversight Plan.

(a) In order to ensure compliance with the terms, provisions, and purposes of Subtitle D, the Secretary is hereby directed to prescribe by regulations, circular letter, information bulletin, or any other determination of a public nature, the Sales

and Use Tax (SUT) Oversight Plan, directed to increase the capture and collection of such tax. The oversight plan shall meet, in addition to any other that the Secretary may deem necessary, the following requirements and conditions:

(1) ...

(2) ...

(3) Encourage citizen participation in the sales and use tax capture and collection oversight efforts, through the following mechanisms:

(A) Increase the frequency, amount, and nature of the prizes awarded under the Sales and Use Tax (SUT) Oversight Plan, including the possibility of citizens to win instant prizes and to accumulate points to be redeemed for the payment of fines, penalties, or duties imposed by the agencies of the Commonwealth of Puerto Rico, or the acquisition of goods or services from participating businesses.

(B) Conduct a comprehensive, ongoing, and effective media campaign designed to:

(i) raise consumers' awareness on the importance of their citizen responsibility of collaborating in SUT capture and collection oversight efforts;

(ii) inform consumers of the benefits and prizes of the Sales and Use Tax (SUT) Oversight Plan;

(iii) raise merchants' and consumers' awareness on the importance of remitting the SUT withheld by merchants at the point of sale to the Department to be used for public purposes;

(iv) ...

(4) Facilitate merchants' compliance with their obligation to file the SUT return with the Department by establishing mechanisms that allow:

(A) To reconcile the data gathered through fiscal terminals on transactions made and the SUT collected at the points of sale, and generate a return for all the commercial establishments of the merchant, that may be electronically submitted to the Department;

(B) To establish a business activity-based metrics mechanism, which shall use, among others, the following:

(i) sales history and SUT collected per merchant, as captured through fiscal terminals, devices, or other electronic oversight means; and

(ii) ...

(5) Empower the Secretary to electronically debit payments from the SUT withheld from demand deposit accounts defined by the merchant.

(b) ...”

Section 15.- Section 6054.04 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6054.04.- Periodic Reports to the Governor, the Institute of Statistics, and the Legislative Assembly.

(a) In General.- In addition to any other report required by law, the Secretary shall render a quarterly report on the status of the revenues from the Sales and Use Tax (SUT), and the results of the Oversight Plan established in Section 6054.03 of this Subtitle.

(b) Required Information.- The report shall include, at least, the following information:

(1) ...

(A) ...

(B) SUT collected;

(C) ...

(D) ...

(E) ...

(F) ...

(2) ...

(3) ...

(4) ...

(5) ...

(6) Cumulative data for the fiscal year and the report period, showing discrepancies between the projected income on account of the SUT and the revenues collected.

(7) Corrective plan to make up any potential deficiencies between the projected income on account of the SUT and the revenues collected.

(8) Prizes awarded and claimed under the Sales and Use Tax (SUT) Oversight Plan during the report period and accumulated during the fiscal year.

(9) ...”

Section 16.- Subsection (d) of Section 6055.06 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6055.06.- Duties of Producing Agencies.

(a) ...

(d) The Department of the Treasury.-

To enter any information regarding the sales and use tax, income taxes, and any other provision of the current Internal Revenue Code.

(e) ...

Data ...”

Section 17.- Subsection (a) of Section 6080.14 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6080.14.- Imposition of Sales and Use Tax by Municipalities.

(a) Authorization and Mandatory Requirement.- Beginning on February 1, 2014, all municipalities shall uniformly and mandatorily impose a sales and use tax on taxable items pursuant to the authorization established in Section 4020.10. Such tax shall consist of a one percent (1%) fixed tax rate, to be collected by the municipalities. The one percent (1%)-tax rate shall be imposed on the sale and use of a taxable item in accordance with the same basis, exemptions, and limitations provided in Subtitle D of the Code, except for the exceptions provided in this Section. Provided, that the one percent (1%) fixed tax rate to be collected by the municipalities, as provided in this subsection, shall not apply to business to business services nor to designated professional services. Such services shall be subject, after October 1, 2015, only to the four percent (4%) tax rate provided in Sections 4210.01(c) and 4210.02(c) of this Code.

For periods beginning on July 1, 2014, the one percent (1%) fixed tax rate shall be collected in its entirety by the municipalities or by a trustee to be designated in accordance with this Act.

(1) ...

(b) ...”

Section 18.- Section 6110.04 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6110.04.- Effectiveness.

(a) This Act, known as the ‘Internal Revenue Code for a New Puerto Rico,’ shall take effect on January 1, 2011, with the following provisions:

(1) ...

(2) ...

(3) ...

(4) Subtitle D.- The provisions of Subtitle D shall apply to taxable events occurring after April 1, 2011, except for Sections 4050.07, 4050.08, and 4050.09 of this Code.

(5) Reserved.

(6) Subtitle DDD.- The provisions of Subtitle DDD shall apply to taxable events occurring after July 1, 2015.

(7) ...

(8) ...

(b) ...”

Section 19.- Severability.

If any clause, paragraph, subparagraph, article, provision, section, subsection, or part of this Act were held to be unconstitutional by a competent Court, said holding shall not affect, impair, or invalidate the remaining provisions of this Act. The effect of such holding shall be limited to the clause, paragraph, subparagraph, article, provision, section, subsection, or part of this Act thus held to be unconstitutional.

Section 20.-Effectiveness.

This Act shall take effect immediately after its approval.