

(H. B. 2224)

(No. 186-2014)

(Approved November 12, 2014)

AN ACT

To amend subsection (a) of Section 3020.08 of Act No. 1-2011, as amended, known as the “Internal Revenue Code of Puerto Rico of 2011,” in order to reduce the excise tax applicable to motor vehicles and motorcycles; and for other related purposes.

STATEMENT OF MOTIVES

This Administration is committed to thoroughly restructuring Puerto Rico’s tax system in order to do justice to all individuals and promote a favorable environment for business development. The process to evaluate available alternatives is about to be completed and that the corresponding legislation is expected to be approved by the Legislative Assembly at the beginning of 2015.

Furthermore, since early 2013, this Administration has taken extraordinary measures to address the insufficiency of General Fund gross revenues. This effort has resulted in the approval of the first balanced budget in several decades, for fiscal year 2014-15. One of the most significant items of the income estimate is the excise tax on imported motor vehicles. For fiscal year 2014-2015, the estimated income on account of this item is \$400 million based on the estimated sales of 100 thousand new units. These revenues depend greatly on the sale of new motor vehicle in Puerto Rico. It is common knowledge that one of the industries most effected by the island’s economic issues is the new vehicle sales industry.

Motor vehicle sales in Puerto Rico are directly related to the economic development of the island. In the last decade, the Gross National Product (GNP) and vehicle sales in Puerto Rico reached their highest point between 2004 and 2005.

After that date, both Puerto Rico's GNP and motor vehicle sales decreased and reached their lowest point in 2008.

After the year 2008, a slight increase in motor vehicle sales has been seen. This trend continued until calendar year 2013 where nearly 100,000 new units were sold. Nevertheless, due to the decline in Puerto Rico's population, the contraction in the labor market, and the increase in credit restrictions, automobile sales during the first quarter of fiscal year 2014-15 show a reduction of approximately 20% in vehicle sales as well as vehicle sales excise tax revenues. This trend requires us to act promptly to address the negative trend in such an important revenue item that is critical for the island's economy. Thus, this measure proposes to reduce the applicable excise tax on motor vehicles starting from its effective date and also provides the applicable rules to vehicles already introduced into the island but are not inventoried.

In essence, through this legislation, we are advancing, as the first phase of the Tax System Restructuring legislation, the portion related to the excise tax on motor vehicles and motorcycles. Thusly, we promptly address the decrease in revenues on such an important item and reactivate a sector of the economy that is critical for Puerto Rico's economic development.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Subsection (a) of Section 3020.08 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 3020.08.- Vehicles

(a) There shall be imposed, collected, and paid on every vehicle introduced from abroad or manufactured in Puerto Rico, the excise tax established next to the description of the vehicle, as provided below:

(1) ...

(2) ...

(3) Automobiles introduced from abroad or manufactured in Puerto Rico after October 31, 2014:

(A) The percentage corresponding to the taxable price in Puerto Rico is provided in the table below:

TAX TO BE PAID

If the taxable price in Puerto Rico is:	The tax shall be:
Up to \$6,170	\$637.50 (minimum tax)
Over \$6,170 up to \$10,690	\$637.50 plus 10.2% of the excess of \$6,170
Over \$10,690 up to \$21,380	\$1,098.00 plus 19.6% of the excess of \$10,690
Over \$21,380 up to \$31,780	\$3,188.35 plus 23.0% of the excess of \$21,380
Over \$31,780 up to \$44,890	\$5,575.15 plus 27.2% of the excess of \$31,780
Over \$44,890	\$9,253.10 plus 40% of the excess of \$44,890

(B) The table in subparagraph (A) shall apply to all new and used automobiles introduced into Puerto Rico, except in the case of new automobiles that are exported.

- (4) Trailer trucks: 17% over the taxable price in Puerto Rico.
- (5) Buses: 20% over the taxable price in Puerto Rico.
- (6) Trucks: 10% over the taxable price in Puerto Rico.
- (7) Motorcycles: 8% over the taxable price in Puerto Rico.
- (8) All-terrain Vehicles (ATVs): 10% over the taxable price in Puerto Rico.

(9) Manual or Light-duty Trailer Hitch: 6.6% over the taxable price in Puerto Rico;

(10) Transitory provisions:

(A) ...

(B) ...

(C) If the excise tax on new or used automobiles in inventory has not been paid before the effective date of the rates listed in in subparagraph (A) of paragraph (3) above, the excise tax shall be imposed according to said new rates.

(D) If the excise tax on new or used automobiles in inventory has been paid before the effective date of the rates listed in subparagraph (A) of paragraph (3) above, the introducer, authorized distributor or dealer may claim a credit for any difference resulting from the excise tax to be imposed according to the new tax rates and the excise tax paid according to the tax rates listed in subparagraph (A) of paragraph (2) above of this Section. The credit shall apply to future excise tax payments on automobiles upon previous authorization of the Secretary.

(10) In no case shall the automobiles, trailer trucks, buses, trucks, and manual or light-duty trailer hitch introduced from abroad or manufactured in Puerto Rico on or before October 31, 2014, shall pay a tax lower than seven hundred fifty dollars (\$750). In no case shall the automobiles, trailer trucks, buses, trucks, and manual or light-duty trailer hitch introduced from abroad or manufactured in Puerto Rico after the October 31, 2014, shall pay a tax lower than six hundred thirty seven dollars and fifty cents (\$ 637.50).

(11) Category III ambulances are excluded from the tax provided in this Section, in which case, no amount on account of excise tax shall be levied or collected thereon. For the purposes of this Act, 'Category III Ambulance' shall refer to every ambulance devoted to transporting sick, injured, wounded, handicapped, disabled, or invalid, pursuant to the regulations of the Public Service Commission

for said category. Moreover, ambulances under this category shall be especially designed, built, and equipped as a mobile emergency room. Said ambulances shall be operated by emergency medical technicians authorized by the Secretary of Health.

(b) ...”

Section 2.— Severability Clause.

If any section, subsection, paragraph, subparagraph, clause, item or part of this Act were held to be null or unconstitutional, said holding shall not affect, impair or invalidate the remaining provisions of this Act.

Section 3.— Effectiveness.

This Act shall take effect immediately after its approval.