

Label	Current Law	Policy
Inflation		
Year	2021	2021

FOR INTERNAL DISCUSSION ONLY

Optional - Options to Minimize Tax under Policy

Do you want to run a scenario where taxpayers choose one of the two tax minimization options under policy (e.g., if a taxpayer can only choose either EITC or young people exemption, they choose the option that gives them the minimum tax liability)

No	No
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Note: if the answer is "Yes", please population option 1 under the "Policy" column D (e.g., only turn off EITC), and populate option 2 (e.g., only young people exemption) under the "Alternative Policy" column E.

Do you want to see nonfilers revenue changes (eg. The revenue changes from the nonfilers based on changes in policy)

No	No
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AGI

Wages	1	1
Qualified physician wages	1	1
Federal wages	1	1
Federal physician wages	1	1
Retirement plan distributions	1	1
Gain (or loss) from sale or exchange of capital assets	1	0
Interest	1	0
Dividends from corporations	1	0
Distributions from governmental plans	1	1
Distributions from individual retirement accounts and educational contribution accounts	1	1
Other income	1	1
Income from annuities and pensions	1	1
Dividends from capital investment or tourism fund	1	0
Net long-term capital gain on investment funds	1	0
Distributable share on profits from partnerships, special partnerships and corp. of individuals	1	0
Distributions from deferred compensation plans, partial or lump-sum distributions from qualified retirement plans and fixed or variable annuities	1	1
Income from salaries, wages, compensations, or public shows received by a nonresident individual	1	1
Alimony received	1	0
Distributions due to a disaster declared by the Governor of Puerto Rico	1	1
Gain (or loss) from manufacturing business	1	1
Gain (or loss) from the sale of goods	1	1
Gain (or loss) from farming	1	1
Gain (or loss) from services	1	1
Gain (or loss) from rental business	1	1
Alimony paid	1	1

Deductions Applicable to Individual Taxpayers

Cap - allowable deduction for mortgage interest (excluding taxpayers who are 65 or above)	35000	0
Cap - Educational Contribution and My Future Account (per beneficiary)	500	0
Cap - IRA contributions	5000	0
Deduction allowable for private equity investment	1	0
All other deductions	1	0

Exemptions and exclusions (pre-excluded from AGI) - schedule IE

Note: 1 = exemptions applicable to taxpayers, exemptions below are pre-excluded from AGI (current law)

0 = exemptions no longer applicable to taxpayers, exempted amount will be added to AGI

Exclusions from gross income		
Life insurance	1	0
Donations, legacies and insurance	1	0
Compensation for injuries or sickness	1	0
Benefits from federal social security for old-age and survivors	1	1
Income derived from discharge of debts	1	0
Child support payments	1	0
Compensation or indemnification paid to an employee due to dismissal	1	0
Compensation, payments or distributions due to a disaster declared by the Governor of Puerto Rico - Reported in withholding statement	1	0
Compensation, payments or distributions due to a disaster declared by the Governor of Puerto Rico - Not reported in withholding statement	1	0
Amount received from any subsidy or stimulus paid by the Federal Government as a result of COVID-19	1	1
Amount received from any subsidy or stimulus paid by the Government of Puerto Rico as a result of COVID-19	1	1
Interests upon mortgages over residential property located in Puerto Rico granted after January 1, 2014	1	0
Other exclusions	1	0
Exemptions from gross income		
Fringe benefits paid by the employer in relation to a cafeteria plan	1	0
Interests: A) Obligations from the United States Government, its states, territories or political subdivisions	1	0
Interests: B) Obligations from the Government of Puerto Rico	1	0
Interests: C) Certain mortgages	1	0
Interests: D) Deposits in Puerto Rico interest-bearing accounts up to \$100 (\$200 for married filing jointly) (Schedule FF Individual)	1	0
Interests: E) Bonds, notes or other obligations under Section 6070.56(h) of Act 60-2019	1	0
Interests: F) Other interests subject to alternate basic tax reported in a Form 480.6D	1	0
Interests: G) Other interests not subject to alternate basic tax reported in a Form 480.6D	1	0
Interests: H) Other interests subject to alternate basic tax not reported in a Form 480.6D (Submit detail)	1	0
Interests: I) Other interests not subject to alternate basic tax not reported in a Form 480.6D (Submit detail)	1	0
Dividends: A) Subject to alternate basic tax reported in a Form 480.6D	1	0
Dividends: B) Not subject to alternate basic tax reported in a Form 480.6D	1	0
Dividends: C) Subject to alternate basic tax not reported in a Form 480.6D	1	0
Dividends: D) Not subject to alternate basic tax not reported in a Form 480.6D	1	0
Expenses of priests or ministers (See instructions)	1	0
Exempt interests distributed from IRA or Educational Contribution Account (Form 480.7 or 480.7B)	1	1
Stipends received by certain physicians during the internship period (Form 499R-2/W-2PR)	1	0
Income from overtime worked by a Puerto Rico Police member (Form 499R-2/W-2PR)	1	0
Salaries from overtime during emergency situations (Form 499R-2/W-2PR)	1	0
Compensation received by an eligible researcher or scientist (See instructions)	1	0
Amounts paid by an employer for reimbursement of travel, meals, lodging, entertainment, and other expenses (Form 499R-2/W-2PR)	1	0
Cost of living allowance (COLA) (Federal Form W-2)	1	0
Compensation received from active military service in a combat zone (Federal Form W-2)	1	0
Recapture of bad debts, prior taxes, surcharges, and other items	1	0
Prizes from the Lottery of Puerto Rico and the Additional Lottery	1	0
Income from pensions or annuities, up to the applicable limitation (Schedule H Individual, Part II, line 8)	1	1
Christmas Bonus, Summer Bonus, and Medicine Bonus	1	0
Gain from the sale or exchange of the principal residence by certain individuals and qualified property (Schedule D1 or D3 Individual)	1	0
Unemployment compensation	1	1
Compensation to citizens and aliens nonresidents of Puerto Rico for the production of film projects	1	0
Income from sources outside of Puerto Rico (Nonresidents or part-year residents)	1	0
Remuneration received by employees of foreign governments or international organizations	1	0
Income from buildings rented to the Government of Puerto Rico for public hospitals, health or convalescent homes, and public schools	1	0
Income derived by the taxpayer from the resale of personal property or services which acquisition was subject to tax under Section 1091	1	0
Accumulated gain in non-qualified options	1	0

Credit for contributions to: 1 Santa Catalina's Palace Patronage 2 Patronage of the State Capitol of the Legislative Assembly	1	0
Credit for investment (Section 6 of Act 73-2008)	1	0
Credit for investment in opportunity zones (Act 60-2019)	1	0
Credit for the purchase of tax credits (Complete Part IV)	1	0
Credits carried from previous years	1	0
Other credits not subject to limitation not included on the preceding lines	1	0
Foreign tax credit	1	0

EITC

Income sources to include in EITC income

Wage and salary income	1	1
Income from private employment	1	1
Income from federal employment	1	1
Compensation or indemnification paid to an employee due to dismissal	1	1
Compensation, payments or distributions due to a disaster declared by the Governor	1	1
Amounts paid by an employer for reimbursement of travel, meals, lodging, entertainment, and other expenses (Form 499R-2/V)	1	1
Exempt salaries of a professional in a hard-to-fill position (Form 499R-2/W-2PR)	1	1
Self employment income	1	1
Gain (or loss) from manufacturing business	1	1
Gain (or loss) from the sale of goods	1	1
Gain (or loss) from farming	1	1
Gain (or loss) from services rendered	1	1
Pension income	1	0

No Dependents

Phase-in end, single	\$10,000	\$7,253
Phase-in end, married	\$10,000	\$7,253
Phase-in rate	15%	15%
Maximum credit	\$1,500	\$1,088
Phase-out start, single	\$16,000	\$16,000
Phase-out start, married	\$18,000	\$16,000
Phase-out rate	15%	15%
Phase-out end, single	\$26,000	\$23,253
Phase-out end, married	\$28,000	\$23,253

One Dependent

Phase-in end, single	\$10,300	\$8,252
Phase-in end, married	\$10,300	\$8,252
Phase-in rate	33.98%	33.98%
Maximum credit	\$3,500	\$2,804
Phase-out start, single	\$18,000	\$18,000
Phase-out start, married	\$22,000	\$18,000
Phase-out rate	26.92%	26.92%
Phase-out end, single	\$31,000	\$28,416
Phase-out end, married	\$35,000	\$28,416

Two Dependents

Phase-in end, single	\$13,750	\$12,000
Phase-in end, married	\$13,750	\$12,000
Phase-in rate	40.00%	40.00%
Maximum credit	\$5,500	\$4,800
Phase-out start, single	\$21,000	\$21,000
Phase-out start, married	\$25,000	\$21,000
Phase-out rate	34.38%	34.38%
Phase-out end, single	\$37,000	\$34,962
Phase-out end, married	\$41,000	\$34,962

Three+ Dependents

Phase-in end, single	\$14,500	\$12,503
Phase-in end, married	\$14,500	\$12,503
Phase-in rate	44.83%	44.83%
Maximum credit	\$6,500	\$5,605
Phase-out start, single	\$21,000	\$21,000
Phase-out start, married	\$25,000	\$21,000
Phase-out rate	34.21%	34.21%
Phase-out end, single	\$40,000	\$37,384
Phase-out end, married	\$44,000	\$37,384

Preferential rates - schedule A2

Note: 1 = Preferential tax rates are applicable for eligible taxpayers (current law)

0 = Preferential tax rates are not applicable

Net long-term capital gain	1	0
Interests from IRA on deposits in accounts from certain financial institutions	1	1
Interests on deposits in accounts from certain financial institutions	1	0
Interests from distributions of IRA to Governmental Pensioners	1	1
Non-exempt eligible interests paid or credited on bonds, notes, other obligations, or mortgage loans	1	0
Eligible distribution of dividends	1	0
Income paid by sport teams of international associations or federations	1	1
Total distributions from qualified retirement plans	1	1
Gain taxable at a reduced rate under an Incentives Act or wages received by a qualified physician under Act 14-2017 or Act 60-2019	1	0
Distributable share on net income subject to preferential rates from pass-through entities	1	0
Other income	1	1
Distributions for reason of a disaster declared by the Governor of Puerto Rico	1	1

A2 column B tax rate	20%	4.0%
A2 column C tax rate	15%	4.0%
A2 column D tax rate	10%	4.0%
A2 column E tax rate	4%	4.0%
A2 column F tax rate	ad hoc	4.0%

Alternative Basic Tax - schedule O

Net Income subject to ABT

Net Income from manufacturing business	1	1
Net Income from retail business	1	1
Net Income from farming business	1	1
Net Income from services rendered	1	1
Net Income from rental business	1	1
Other Income received	1	1
Deductions granted under Special Acts	1	1
Distributable share in the adjustments for purposes of the alternate basic tax of pass-through entities	1	1
Adjustment for determination of the share in the profit or loss from certain special partnerships under the percentage of completion method	1	1
Distributable share in the adjustments for purposes of the alternate basic tax of revocable trusts or grantor trusts	1	1

Excluded and exempt income

1	1
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ABT Calculation

Number of brackets:

6	6
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ABT tax rate - for bracket 1
ABT tax rate - for bracket 2
ABT tax rate - for bracket 3
ABT tax rate - for bracket 4
ABT tax rate - for bracket 5
ABT tax rate - for bracket 6
ABT tax rate - for bracket 7
ABT tax rate - for bracket 8

0%	0%
1%	1%
3%	3%
5%	5%
10%	10%
24%	24%
-	-
-	-

ABT tax bracket lower bound - for bracket 1
ABT tax bracket lower bound - for bracket 2
ABT tax bracket lower bound - for bracket 3
ABT tax bracket lower bound - for bracket 4
ABT tax bracket lower bound - for bracket 5
ABT tax bracket lower bound - for bracket 6
ABT tax bracket lower bound - for bracket 7
ABT tax bracket lower bound - for bracket 8

\$0	\$0
\$25,000	\$25,000
\$50,000	\$50,000
\$75,000	\$75,000
\$150,000	\$150,000
\$250,000	\$250,000
-	-
-	-

Components of PIT Base (TY 2021)

FOR INTERNAL DISCUSSION ONLY

Taxable Treatment under -

Base Item Description (\$ in millions)	Current Law PR	Proposed Comprehensive Economic Base	Value of the Provision, TY2021 (\$ in millions)	Number of Taxpayers	Average value of provision
Wages/Salary & Other Compensation					
Wages	Yes	Yes	\$21,801.9	750,515	\$29,049
Income derived by young people: A) Wages	Exempt	Yes	\$1,658.3	127,027	\$13,055
Income derived by young people: B) Manufacturing income	Exempt	Yes	\$0.0	-	\$0
Income derived by young people: C) Income from the sale of goods	Exempt	Yes	\$3.3	204	\$16,304
Income derived by young people: D) Farming income	Exempt	Yes	\$0.1	8	\$15,683
Income derived by young people: E) Income from services rendered	Exempt	Yes	\$71.2	6,308	\$11,288
Income derived by young people: F) Rental income	Exempt	Yes	\$1.5	74	\$19,837
Compensation or indemnification paid to an employee due to dismissal	Excluded	Yes	\$98.9	2,502	\$39,513
Expenses of priests or ministers	Exempt	Yes	\$1.3	115	\$11,388
Qualified physician wages	Yes	Yes	\$173.4	1,320	\$131,376
Federal wages	Yes	Yes	\$1,354.0	27,758	\$48,780
Federal physician wages	Yes	Yes	\$28.9	169	\$171,041
Stipends received by certain physicians during the internship period	Exempt	Yes	\$27.3	967	\$28,282
Income from overtime worked by a Puerto Rico Police member	Exempt	Yes	\$73.7	10,921	\$6,750
Cost of living allowance (COLA)	Exempt	Yes	\$2.3	761	\$2,957
Compensation received from active military service in a combat zone	Exempt	Yes	\$5.2	393	\$13,287
Child support payments	Excluded	Yes	\$7.1	823	\$8,687
Christmas Bonus, Summer Bonus, and Medicine Bonus	Exempt	Yes	\$0.4	670	\$568
Alimony received	Yes	Yes	\$3.5	194	\$17,935
Alimony paid	Yes	Yes	-\$8.0	694	-\$11,555
Distributable share on profits from partnerships, special partnerships and corp. of individuals	Yes	Yes	\$657.8	6,854	\$95,974

Distributions from deferred compensation plans, partial or lump-sum distributions from qualified retirement plans and fixed or variable annuities not subj. to pref. rate	Yes	Yes	\$118.8	10,669	\$11,132
Income from salaries, wages, compensations, or public shows received by a nonresident individual	Yes	Yes	\$7.8	91	\$85,529
Income derived from discharge of debts	Excluded	Yes	\$22.6	854	\$26,468
Salaries from overtime during emergency situations	Exempt	Yes	\$3.7	2,170	\$1,706
Compensation received by an eligible researcher or scientist	Exempt	Yes	\$3.2	236	\$13,444
Compensation to citizens and aliens nonresidents of Puerto Rico for the production of film projects	Exempt	Yes	\$1.0	102	\$9,952
Income from sources outside of Puerto Rico (Nonresidents or part-year residents)	Exempt	Yes	\$942.7	1,448	\$651,041
Remuneration received by employees of foreign governments or international organizations	Exempt	Yes	\$0.4	26	\$16,890
Income from buildings rented to the PR Government for public hospitals, health or convalescent homes, and public schools (Contracts in force at November 22, 2010)	Exempt	Yes	-\$2.3	602	-\$3,821
Income derived by the taxpayer from the resale of personal property or services which acquisition was subject to tax under Section 3070.01 or Section 2101 of the Internal Revenue Code of 1994	Exempt	Yes	\$0.2	14	\$14,447
Unemployment compensation	Exempt	Yes	\$447.8	45,196	\$9,909
Fringe benefits paid by the employer in relation to a cafeteria plan	Exempt	Yes	\$0.6	108	\$5,953
Amounts paid by an employer for reimbursement of travel, meals, lodging, entertainment, and other expenses	Exempt	Yes	\$229.2	102,205	\$2,243
Distributions of amounts previously notified as deemed eligible distributions under Section 1023.06(j) and 1023.25	Exempt	Yes	\$48.5	445	\$109,059
Certain income related to the operation of employees-owned special corporations	Exempt	Yes	\$0.1	15	\$4,972
Distributable share of exempt income from pass-through entities	Exempt	Yes	\$114.2	1,622	\$70,380
Income from copyrights up to \$10,000 under Act 516-2004	Exempt	Yes	\$0.1	25	\$3,220
Income received by designers and translators up to \$6,000 under Act 516-2004	Exempt	Yes	\$0.1	12	\$4,241
Exempt salaries of a professional in a hard-to-fill position	Exempt	Yes	\$1.0	38	\$26,357

Income from residential rent under Act 132-2010	Exempt	Yes	\$181.5	16,006	\$11,338
Other payments subject to alternate basic tax reported in a Form 480.6D	Exempt	Yes	\$0.9	156	\$5,881
Other payments not subject to alternate basic tax reported in a Form 480.6D	Exempt	Yes	\$32.7	1,460	\$22,429
Other exemptions subject to alternate basic tax not reported in a Form 480.6D	Exempt	Yes	\$0.3	86	\$3,614
Other exemptions not subject to alternate basic tax not reported in a Form 480.6D	Exempt	Yes	\$2,712.6	74,531	\$36,395
Exempt amount from manufacturing income	Exempt	Yes	\$0.0	1	\$6,000
Exempt amount on income from the sale of goods	Exempt	Yes	\$0.3	60	\$5,195
Exempt amount from farming income	Exempt	Yes	\$12.1	528	\$22,971
Exempt amount on income from services rendered	Exempt	Yes	\$6.8	500	\$13,597
Exempt amount from rental income	Exempt	Yes	\$13.1	1,087	\$12,052
Sub-Total			\$30,862.1	1,198,570	\$25,749

Interest					
Interest	Yes	Yes	\$100.4	68,991	\$1,456
Interests: A) Obligations from the US Government, its states, territories or political subdivisions	Exempt	Yes	\$10.3	1,305	\$7,916
Interests: B) Obligations from the PR Government	Exempt	Yes	\$20.4	5,385	\$3,788
Interests: C) Certain mortgages	Exempt	Yes	\$5.5	1,336	\$4,096
Interests: D) Deposits in PR interest-bearing accounts up to \$100 (\$200 for married filing jointly)	Exempt	Yes	\$4.8	63,254	\$75
Interests: E) Bonds, notes or other obligations under Section 6070.56(h) of Act 60-2019	Exempt	Yes	\$0.1	11	\$10,561
Interests: F) Other interests subject to alternate basic tax reported in a Form 480.6D	Exempt	Yes	\$0.1	78	\$1,433
Interests: G) Other interests not subject to alternate basic tax reported in a Form 480.6D	Exempt	Yes	\$6.0	1,592	\$3,738
Interests: H) Other interests subject to alternate basic tax not reported in a Form 480.6D	Exempt	Yes	\$0.1	75	\$1,310
Interests: I) Other interests not subject to alternate basic tax not reported in a Form 480.6D	Exempt	Yes	\$1.5	156	\$9,907

Exempt interests distributed from IRA or Educational Contribution Account	Exempt	Yes	\$4.5	2,333	\$1,932
Interests upon mortgages over residential property located in Puerto Rico granted after January 1, 2014	Excluded	Yes	\$1.6	402	\$3,981
Sub-Total			\$155.3	144,918	\$1,072

Dividends

Dividends from corporations	Yes	Yes	\$261.5	37,370	\$6,998
Distributions from governmental plans	Yes	Yes	\$2.4	239	\$9,844
Dividends from capital investment or tourism fund	Yes	Yes	\$0.0	8	\$2,545
Dividends: A) Subject to alternate basic tax reported in a Form 480.6D	Exempt	Yes	\$13.9	10,419	\$1,332
Dividends: B) Not subject to alternate basic tax reported in a Form 480.6D	Exempt	Yes	\$692.8	9,931	\$69,762
Dividends: C) Subject to alternate basic tax not reported in a Form 480.6D	Exempt	Yes	\$0.3	51	\$4,980
Dividends: D) Not subject to alternate basic tax not reported in a Form 480.6D	Exempt	Yes	\$33.4	259	\$128,929
Sub-Total			\$1,004.2	58,277	\$17,232

Capital Gains

Gain (or loss) from sale or exchange of capital assets	Yes	No	\$451.5	35,062	\$12,876
Net long-term capital gain on investment funds	Yes	No	\$0.1	40	\$2,912
Gain (or loss) from manufacturing business	Yes	No	\$1.1	115	\$9,440
Gain (or loss) from the sale of goods	Yes	No	\$311.1	25,055	\$12,415
Gain (or loss) from farming	Yes	No	\$13.3	2,851	\$4,669
Gain (or loss) from services	Yes	No	\$3,888.7	241,342	\$16,113
Gain (or loss) from rental business	Yes	No	\$274.3	28,621	\$9,584
Gain from the sale or exchange of the principal residence by certain individuals and qualified property	Exempt	No	\$141.9	1,610	\$88,149
Accumulated gain in non-qualified options	Exempt	No	\$0.2	19	\$10,694
Sub-Total			\$5,082.2	334,715	\$15,184

Retirement Income

Benefits from federal social security for old-age and survivors	Excluded	Yes	\$2,004.0	138,665	\$14,452.0
Retirement plan distributions	Yes	Yes	\$177.4	15,906	\$11,154.8
Distributions from IRAs and educational contribution accounts	Yes	Yes	\$64.6	6,443	\$10,019.4
Income from annuities and pensions	Yes	Yes	\$842.5	79,134	\$10,647.0
Distributions from Non-Deductible Individual Retirement Accounts	Exempt	Yes	\$10.5	394	\$26,572.5
Income from pensions or annuities, up to the applicable limitation	Exempt	Yes	\$1,650.5	140,085	\$11,781.8
Sub-Total			\$4,749.4	380,627	\$12,477.9

Life insurance

Life insurance	Excluded	Yes	\$7.8	316	\$24,726.1
Compensation for injuries or sickness	Excluded	Yes	\$19.4	1,486	\$13,066.7
Donations, legacies and insurance	Excluded	Yes	\$88.6	973	\$91,045.6
Sub-Total			\$115.8	\$2,775.0	\$41,736.2

Disaster Relief payments

Distributions due to a disaster declared by the Governor of Puerto Rico	Yes	Yes	\$0.3	21	\$14,238.2
Compensation, payments or distributions due to a disaster declared by PR Governor - Reported in a withholding statement or informative return	Excluded	Yes	\$52.9	22,204	\$2,381.7
Compensation, payments or distributions due to a disaster declared by PR Governor - Not reported in a withholding statement or informative return	Excluded	Yes	\$11.2	1,088	\$10,324.3
Amount received from any subsidy or stimulus paid by the Federal Government as a result of COVID-19	Excluded	Yes	\$230.2	59,683	\$3,857.2
Amount received from any subsidy or stimulus paid by PR Government as a result of COVID-19	Excluded	Yes	\$130.7	44,520	\$2,936.6
Sub-Total			\$425.4	127,516	\$3,335.8

Other Income

Prizes from the Lottery of Puerto Rico and the Additional Lottery	Exempt	Yes	\$8.72	180	\$48,452.4
Other income	Yes	Yes	\$642.29	26,050	\$24,655.9

Other exclusions	Excluded	Yes	\$40.22	2,392	\$16,815.9
Recapture of bad debts, prior taxes, surcharges, and other items	Exempt	Yes	\$0.14	18	\$7,580.0
Sub-Total			\$691.37	28,640	\$24,139.9
TOTAL Excluded/Exempt Income on Schedule IE			\$43,085.9	2,276,038	\$18,930.2

Exemptions/Deductions

Personal exemption	Deduction provided	Standard Deduction	\$4,583	1,148,779	\$3,989
Dependent exemption	Deduction provided	Eliminated	\$1,381	397,395	\$3,476
Veterans exemption	Deduction provided	Eliminated	\$28	18,387	\$1,512
Mortgage interest deduction	Deduction provided	Eliminated	\$1,115	239,588	\$4,655
Educational Contribution and My Future Account	Deduction provided	Eliminated	\$2	2,021	\$801
IRA contributions	Deduction provided	Eliminated	\$67	18,115	\$3,672
All other deductions (medical expenses, casualty and loss on principle residence, certain interest on student loans)	Deduction provided	Eliminated	\$602	371,925	\$1,619
Total exemption/deductions			\$1,786	1,207,950	\$1,478

Credits

Credit attributable to losses or for investment in the Capital Investment Fund	Credit provided	No credit provided	\$0.0	1	\$54
Credit for investment in housing infrastructure (Act 98-2001)	Credit provided	No credit provided	\$0.0	3	\$2,247
Credit for investment in the acquisition construction or rehabilitation of affordable rental housing to the elderly (Chapter 2 of Act 140-2001)	Credit provided	No credit provided	\$0.0	1	\$9
Credit for construction investment in urban centers (Act 212-2002)	Credit provided	No credit provided	\$0.0	-	\$0
Credit for the establishment of an eligible conservation easement or donation of eligible land (Act 183-2001)	Credit provided	No credit provided	\$0.0	-	\$0
Credit for the purchase of tax credits	Credit provided	No credit provided	\$0.1	7	\$14,949
Credits carried from previous years	Credit provided	No credit provided	\$0.2	16	\$10,612
Other credits subject to limitation not included on the preceding lines	Credit provided	No credit provided	\$0.0	1	\$7,200
Credit for investment in Tourism Development (Act 78-1993 and Act 74-2010)	Credit provided	No credit provided	\$0.0	2	\$24,478

Credit for: Section 4(a) of Act 8 of 1987 or Section 3(b) of Act 135-1997	Credit provided	No credit provided	\$1.4	42	\$32,681
Credit for investment in film industry development (Act 27-2011): Film Project or Infrastructure Project	Credit provided	No credit provided	\$0.5	11	\$45,693
Credit for the purchase or transmission of television programming made in Puerto Rico (Section 1051.14)	Credit provided	No credit provided	\$0.0	-	\$0
Credit for contributions to former governors foundations	Credit provided	No credit provided	\$0.0	3	\$3,433
Credit for payments of Membership Certificates by Ordinary and Extraordinary Members of Employees-Owned Special Corporations	Credit provided	No credit provided	\$0.0	1	\$9
Credit for contributions to: 1 Santa Catalina's Palace Patronage 2 Patronage of the State Capitol of the Legislative Assembly	Credit provided	No credit provided	\$0.0	-	\$0
Credit for investment (Section 6 of Act 73-2008)	Credit provided	No credit provided	\$1.2	18	\$69,173
Credit for investment in opportunity zones (Act 60-2019)	Credit provided	No credit provided	\$0.1	2	\$30,699
Credit for the purchase of tax credits (Complete Part IV)	Credit provided	No credit provided	\$26.9	128	\$210,398
Credits carried from previous years	Credit provided	No credit provided	\$0.9	16	\$53,608
Other credits not subject to limitation not included on the preceding lines	Credit provided	No credit provided	\$2.1	23	\$89,837
Sub-Total			\$33	275	\$121,398

Label	Current Law	Policy
Year	2019	2019

FOR INTERNAL DISCUSSION ONLY

Components of gross operating income (Main Form, Part 1)

Gross profit (or loss) on sale of goods or products	1	1
Manufacturing gross profit (or loss)	1	1
Gross income on sale of services	1	1
Net capital gain (Schedule D Corporation)	1	-
Net gain (or loss) from the sale of property other than capital assets (Schedule D Corporation)	1	-
Rent	1	1
Interest income subject to the preferential rate of 10%	1	-
Other interest income	1	-
Income from commissions	1	1
Dividends from domestic corporations	1	-
Dividends from foreign corporations	1	-
Distributable share on net income from partnerships and special partnerships	1	1
Distributable share on net income subject to preferential rates from partnerships and special partnerships	1	1
Net income derived from the operations of an international financial entity that operates as a bank unit	1	1
Freight and fares	1	1
Royalties	1	1
Debt discharge	1	1
Public shows	1	1
Miscellaneous income	1	1

Deductions (Main Form, Part 2)

Compensation to directors	1	1
Compensation to officers	1	1
Salaries, commissions and bonuses to employees	1	1
Salaries paid to young university students	1	-
Services rendered	1	1
Services subcontracted	1	1
Commissions to businesses	1	1
Lease, rent and royalties paid (personal)	1	1
Lease, rent and royalties paid (real)	1	1
Health or accident insurance plans	1	1
Property, contingency, public liability insurance and bonds	1	1
Telecommunication services	1	1
Internet and cable or satellite television services	1	1
Electric power	1	1

Expenses in property leased to the Puerto Rico Industrial Development Company or warehouse of the Puerto Rico Trade and Export Company	1	-
Expenses for dues, subscriptions and memberships	1	1
Expenses related to licenses and computer programs that cannot be capitalized	1	1
Other deductions	1	-
Charitable deductions	1	1
Act 185-2014 deductions	1	-

AMT Deductions (Main Form, Part 2)

Compensation to directors	1	1
Compensation to officers	1	1
Salaries, commissions and bonuses to employees	1	1
Salaries paid to young university students	1	1
Services rendered	1	1
Services subcontracted	1	1
Commissions to businesses	1	1
Lease, rent and royalties paid	1	1
Health or accident insurance plans	1	1
Property, contingency, public liability insurance and bonds	1	1
Telecommunication services	1	1
Internet and cable or satellite television services	1	1
Electric power	1	1
Water and sewage	1	1
Advertising	1	1
Royalties	1	1
Special contribution for professional advisory services (Act 48-2013)	1	1
Mortgage interest	1	1
Interest paid on automobile financing lease	1	1
Professional associations fees paid for the benefit of employees	1	1
Homeowners association fees paid	1	1
Certain other expenses	1	1
Interests on business debts	1	1
Property tax deduction	1	1
Other taxes	1	1
State Insurance Fund premiums	1	1
Sales and use tax	1	1
Depreciation and amortization	1	1
Depreciation for businesses with volume less than or equal to \$3,000,000	1	1
Contributions to pension or other qualified plans	1	1
Deduction for employers who employ handicapped persons	1	1
Social Security (FICA)	1	1
Unemployment insurance	1	1

Automobile expenses	1	1
Other motor vehicle expenses	1	1
Repairs and maintenance	1	1
Travel expenses	1	1
Meal and entertainment expenses	1	1
Materials and office supplies	1	1
Materials used directly in the trade or business	1	1
Stamps, vouchers and fees	1	1
Shipping and postage charges	1	1
Uniforms	1	1
Parkings and toll	1	1
Office expenses	1	1
Bank fees	1	1
Contributions to educational contribution accounts for employee beneficiaries	1	1
Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico	1	1
Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible	1	1
Losses from fires, storm, other casualties or theft	1	1
Bad debts	1	1
Management fees	1	1
Expenses in property leased to the Puerto Rico Industrial Development Company or warehouse of the Puerto Rico Trade and Export Company	1	1
Expenses for dues, subscriptions and memberships	1	1
Expenses related to licenses and computer programs that cannot be capitalized	1	1
Other deductions	1	1
Charitable deductions	1	1
Act 185-2014 deductions	1	1

Regular tax calculation

Standard rate	18.5%	0.0%
New SMEs (1st TY; Act 120-2014)	5.0%	0.0%
New SMEs (2nd TY; Act 120-2014)	10.0%	0.0%
New SMEs (3rd TY; Act 120-2014)	15.0%	0.0%
Foreign Withholding	29.0%	8.0%

Include Optional Tax? (Y/N)	1	-
Include Alternative Tax? (Y/N)	1	-
Include Alternative Minimum Tax? (Y/N)	1	-

Surtax calculation

Surtax deduction (Y/N)	1	-
Surtax net income deduction	25,000	25,000.0

Number of brackets	6	6
Surtax rate for bracket #1	5.0%	8.0%
Surtax rate for bracket #2	15.0%	8.0%
Surtax rate for bracket #3	16.0%	8.0%
Surtax rate for bracket #4	17.0%	8.0%
Surtax rate for bracket #5	18.0%	8.0%
Surtax rate for bracket #6	19.0%	8.0%
Surtax rate for bracket #7	-	-
Surtax rate for bracket #8	-	-
Lower bound for surtax bracket #1	0	-
Lower bound for surtax bracket #2	75,000	75,000.0
Lower bound for surtax bracket #3	125,000	125,000.0
Lower bound for surtax bracket #4	175,000	175,000.0
Lower bound for surtax bracket #5	225,000	225,000.0
Lower bound for surtax bracket #6	275,000	275,000.0
Lower bound for surtax bracket #7	-	-
Lower bound for surtax bracket #8	-	-
Net Operating Loss (NOL) Deduction from preceeding year cannot exceed 90% of net operating income (or loss)	90%	90.0%

Foreign corporations

Branch profits tax (foreign corporations)	1	1
Branch profits tax percentage (foreign corporations)	10%	0.0%
Deemed dividend tax(foreign corporations)	10%	0.0%

Alternative Minimum Tax (Schedule A)

If alternative minimum net income is \$500,000 or less, the exempt amount is \$50,000. If it exceeds \$500,000 but is less than \$700,000, the exempt amount will be \$50,000 less 25% of the excess over \$500,000

Maximum AMT exemption	50,000	50,000.0
Exemption phaseout level	500,000	500,000.0
Exemption phaseout rate	25%	25.0%
Tentative minimum tax threshold	500	500.0
AMT Rate 1	18.5%	18.5%
AMT Rate 2	23%	23.0%
AMT credit limitation amount	10%	10.0%
Include the alternative minimum credit for foreign taxes paid?	1	1.0
AMT credit amount (% of excess of regular tax over AMT)	25%	25.0%

Tax credits (Schedule B)

Credit attributable to losses or for investment in the Capital Investment Fund (See instructions)	1	-
Credit for investment in housing infrastructure (Act 98-2001, as amended) (See instructions)	1	-
Credit for investment in the construction or rehabilitation of rental housing projects for low or moderate income families (Act 140-2001)(See instructions)	1	-
Credit for construction investment in urban centers (Act 212-2002, as amended) (See instructions)	1	-
Credit for merchants affected by urban centers revitalization (Act 212-2002, as amended) (See instructions)	1	-
Credit for purchases of products manufactured in Puerto Rico and Puerto Rican agricultural products (Submit Schedule B1 Corporation)	1	-
Credit for the establishment of an eligible conservation easement or donation of eligible land (Act 183-2001, as amended) (See instructions)	1	-
Credit for the purchase of tax credits (Complete Part IV) (See instructions)	1	-
Credits carried from previous years (Submit detail)	1	-
Other credits not included on the preceding lines (Submit detail)	1	-
50% of the tax determined (Multiply the amount in Part IV, line 9 of the return by .50)	50%	0%
Credit for increase in investment (See instructions)	1	-
Credit for investment in film industry development (Act 27-2011):	1	-
1. Film Project and/or	1	-
2. Infrastructure Project; or	1	-
3. Credit for the purchase or transmission of television programming made in P.R. (Section 1051.14) (See instructions)	1	-
Credit to investors who acquire an exempt business that is in the process of closing its operations in Puerto Rico (Act 109-2001) (See instructions)	1	-
Credit for contributions to: 1. Patronage of Santa Catalina's Palace and/or 2. Patronage of the State Capitol of the Legislative Assembly (See instructions)	1	-
Credit for investment Act 73-2008 (See instructions)	1	-
Credit for investment Act 83-2010 (Research and Development) (See instructions)	1	-
Credit for investment in opportunity zones (Act 60-2019)	1	-
Credit for the purchase of tax credits (Complete Part IV) (See instructions)	1	-
Credits carried from previous years (Submit detail)	1	-
Other credits not included on the preceding lines (Submit detail)	1	-

Schedule D1 Tax on income subject to preferential rates

2. Income subject to preferential rates:

a) Net long-term capital gain (See instructions):

Regular (Column A)	1	-
Tax at 20% (Column B)	1	-
Tax at __% (Column E)	1	-
Tax at __% (Column F)	1	-
Tax at __% (Column G)	1	-

b) Interest subject to preferential rates (From Part I, line 11(a) of the return)

Regular (Column A)	1	-
Tax at 10% (Column C)	1	-

c) Distributable share on net income subject to preferential rates from partnerships and special partnerships (From Part I, line 15 of the return. See instructions)

Regular (Column A)	1	-
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Tax at 10% (Column C)	1	-
Tax at 4% (Column D)	1	-
Tax at __% (Column E)	1	-
Tax at __% (Column F)	1	-
Tax at __% (Column G)	1	-

d) Net income subject to the 4% tax rate from the operations of an international financial entity that operates as a banking unit (From Part I, line 16 of the return)

Regular (Column A)	1	-
Tax at 4% (Column D)	1	-

e) Other income subject to preferential rates

Regular (Column A)	1	-
Tax at 20% (Column B)	1	-
Tax at 10% (Column C)	1	-
Tax at 4% (Column D)	1	-
Tax at __% (Column E)	1	-
Tax at __% (Column F)	1	-
Tax at __% (Column G)	1	-

7. Computation of tax at preferential rates

a) Tax on income subject to preferential rates (See instructions)

Tax at 20% (Column B)	20.00%	4.0%
Tax at 10% (Column C)	10.00%	4.0%
Tax at 4% (Column D)	4.00%	4.0%
Tax at __% (Column E)	10.00%	4.0%
Tax at __% (Column F)	0.00%	4.0%
Tax at __% (Column G)	0.00%	4.0%

Schedule IE Excluded and exempt income

Part I Exclusions from gross income

Plantation insurance	1	-
Income derived from discharge of debts	1	-
Other exclusions (submit detail)	1	-
Net income (or loss) from sources outside Puerto Rico not related to the operation carried out in Puerto Rico by a foreign corporation	1	-

Part II Exemptions from gross income

Interests upon the following financial instruments:

Obligations from the United States Government, its states, territories or political subdivisions	1	-
Obligations from the Government of Puerto Rico	1	-
Securities under Agricultural Loans Act	1	-
Certain mortgages	1	-
Obligations secured or guaranteed under the Servicemen's Readjustment Act of 1944	1	-
Securities issued by cooperative associations up to \$5,000	1	-
Obligations issued by the Conservation, Housing and Human Development Trust, the San Juan Monument's Patronage and SER of Puerto Rico	1	-
Loans granted by a commercial bank to an employees owned special corporation for certain purposes	1	-
Loans granted by a commercial bank in Puerto Rico for acquisition and payment of membership certificates in an employees owned special co	1	-

Loans granted by a commercial bank in Puerto Rico for the purchase or investment in preferred stocks of an employees owned special corpora	1	-
Loans for the establishment or expansion of small and medium businesses up to \$250,000	1	-
Loans for the capitalization of small and medium businesses up to \$250,000	1	-
Bonds, notes, or other obligations under Section 6070.56(h) of Act 60-2019	1	-
Other interests reported in a Form 480.6D	1	-
Other interests not reported in a Form 480.6D	1	-
Dividends received from:		
Industrial development income derived from certain interests	1	-
Cooperative associations	1	-
International Insurer or Holding Company of the International Insurer	1	-
Exempt business under Act 60-2019 (Section 6070.56(e))	1	-
Other dividends reported in a Form 480.6D	1	-
Other dividends not reported in a Form 480.6D	1	-
Recapture of bad debts, prior taxes, surcharges and other items	1	-
Income from news agencies or unions	1	-
Certain income related to the operation of an employees owned special corporation	1	-
Income received or earned in connection with the celebration of sports games organized by international associations or federations	1	-
Income derived by the International Insurer or Holding Company of the International Insurer	1	-
Rents from the Historic Zone	1	-
Income from vessels owners associations and mutual protection and indemnity	1	-
Income from buildings rented to the Government of Puerto Rico for public hospitals or schools, or health homes (Contracts in force as of Novem	1	-
Income derived by the taxpayer from the resale of personal property or services which acquisition was subject to tax under Section 3070.01 or Se	1	-
Distributions of amounts previously notified as deemed eligible distributions under Sections 1023.06(j) and 1023.25(b)	1	-
Distributions of dividends or benefits from Industrial Development Income of Exempt Businesses and in Liquidation under Act 73-2008 and Act 1	1	-
Rent of residential property under Act 132-2010	1	-
Income generated by a new business that operates under a special agreement for the creation of young companies (Act 135-2014)	1	-
Distributable share in the exempt income from pass-through entities (Form 480.60 EC)	1	-
Exempt income from rent under Act 165-1996	1	-
Exempt income of bonafide farmer (Schedule S Corporation, Part III, line 6)	1	-
Other payments reported in a Form 480.6D	1	-
Other payments not reported in a Form 480.6D	1	-
Other exemptions	1	-

Optional tax (Schedule X)

Share of income from services required for optional tax eligibility	80%	80.0%
Number of brackets Optional Tax	6	6
Optional tax lower bound #1	-	-
Optional tax lower bound #2	100,000	75,000.0
Optional tax lower bound #3	200,000	200,000.0

Optional tax lower bound #4
 Optional tax lower bound #5
 Optional tax lower bound #6
 Optional tax lower bound #7
 Optional tax lower bound #8

300,000	300,000.0
400,000	400,000.0
-	-
-	-

Optional tax upper bound #1
 Optional tax upper bound #2
 Optional tax upper bound #3
 Optional tax upper bound #4
 Optional tax upper bound #5
 Optional tax upper bound #6
 Optional tax upper bound #7
 Optional tax upper bound #8

100,000	75,000.0
200,000	200,000.0
300,000	300,000.0
400,000	400,000.0
500,000	500,000.0
Inf	Inf
-	-
-	-

Optional tax rates #1
 Optional tax rates #2
 Optional tax rates #3
 Optional tax rates #4
 Optional tax rates #5
 Optional tax rates #6
 Optional tax rates #7
 Optional tax rates #8

6.00%	0.0%
10.00%	10.0%
13.00%	10.0%
15.00%	10.0%
17.00%	10.0%
20.00%	10.0%
-	-
-	-

Tax calculation - Incentives Corps

Include exempt business tax before FTC
 Include exempt business total tax liability

-	-
-	-

Determination of taxable farming income (Schedule S)

Part II -- Deductions

A. Deductions reported on informative returns:

1. Compensation to officers or partners
2. Salaries commissions and bonuses to employees
3. Commissions to businesses
4. Salaries paid to young university students
 Percentage Deduction student
- Percentage Deduction Pasantias Hacienda
5. Services rendered
6. Lease, rent and royalties paid (See instructions) (a) Personal \$ _____ (b) Real \$ _____
7. Health or accidents plans
8. Property, contingency, public liability insurance and bonds (See instructions)

1	1
1	1
1	1
1	1
150%	150.0%
200%	200.0%
1	1
1	1
1	1
1	1

- (c) State Insurance Fund premiums
- (d) Sales and use tax (See instructions)
- 23. Plantation insurance
- 24. Depreciation and amortization (Submit Schedule E)
- 25. Depreciation for businesses with volume less or equal to \$3,000,000 (Submit Schedule E1)
Upper bound
- 26. Contributions to pension or other qualified plans (See instructions. Submit Form AS 6042.1)

1	1
1	1
1	1
1	1
1	1
3,000,000	3,000,000.0
1	1

B. Deductions not reported on informative returns (Alternative Minimum Tax):

- 21. Interests on business debts
- 22. Property taxes, patents and licenses:
- (c) State Insurance Fund premiums
- (d) Sales and use tax (See instructions)
- 23. Plantation insurance
- 24. Depreciation and amortization (Submit Schedule E)
- 25. Depreciation for businesses with volume less or equal to \$3,000,000 (Submit Schedule E1)
- 26. Contributions to pension or other qualified plans (See instructions. Submit Form AS 6042.1)

1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1

C. Other deductions: Indicate the deductions that were validated with an Agreed Upon Procedures Report (“AUP”)

- 28. Social Security (FICA)
- 29. Unemployment insurance
- 30. Automobiles expenses (Mileage _____) (See instructions)
- 31. Other motor vehicle expenses (See instructions)
- 32. Repairs and maintenance (See instructions)
- 33. Travel expenses (Total expenses \$ _____)
- 34. Meal and entertainment expenses (Total expenses \$ _____) (See instructions)
- 35. Materials and office supplies
- 36. Materials used directly in farming business
- 37. Stamps, vouchers and fees
- 38. Shipping and postage charges
- 39. Uniforms
- 40. Parkings and toll
- 41. Office expenses
- 42. Bank fees
- 43. Bad debts
- 44. Other deductions

1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1
1	1

C. Other deductions: Indicate the deductions that were validated with an Agreed Upon Procedures Report (“AUP”) (Alternative Minimum Tax)

- 28. Social Security (FICA)
- 29. Unemployment insurance
- 30. Automobiles expenses (Mileage _____) (See instructions)
- 31. Other motor vehicle expenses (See instructions)

1	1
1	1
1	1
1	1

FOR INTERNAL DISCUSSION ONLY

Source: corporate tax return microdata for TY2019

Components of gross operating income (Main Form, Part 1)	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
Gross profit (or loss) on sale of goods or products	Yes	Yes	\$10,120	18,171	\$556,947
Manufacturing gross profit (or loss)	Yes	Yes	\$60	387	\$155,494
Gross income on sale of services	Yes	Yes	\$12,758	18,516	\$689,008
Net capital gain (Schedule D Corporation)	Yes	No	\$108	479	\$224,472
Net gain (or loss) from the sale of property other than capital assets (Schedule D Corporation)	Yes	No	(\$30)	331	(\$90,314)
Rent	Yes	Yes	\$891	4,735	\$188,184
Interest income subject to the preferential rate of 10%	Yes	No	\$2	45	\$37,071
Other interest income	Yes	No	\$2,621	3,569	\$734,457
Income from commissions	Yes	Yes	\$859	1,472	\$583,639
Dividends from domestic corporations	Yes	No	\$167	207	\$804,823
Dividends from foreign corporations	Yes	No	\$32	383	\$83,340
Distributable share on net income from partnerships and special partnerships	Yes	Yes	\$517	302	\$1,711,957
Distributable share on net income subject to preferential rates from partnerships and special partnerships	Yes	Yes	\$19	29	\$663,493
Net income derived from the operations of an international financial entity that operates as a bank unit	Yes	Yes	\$36	12	\$2,966,016
Freight and fares	Yes	Yes	\$586	54	\$10,850,729
Royalties	Yes	Yes	\$26	154	\$169,366
Debt discharge	Yes	Yes	\$6	41	\$134,325
Public shows	Yes	Yes	\$34	77	\$438,973
Miscellaneous income	Yes	Yes	\$7,734	3,746	\$2,064,577

Deductions of income (\$ in millions)	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
<i>Normal business deductions + special deductions</i>					
Total deductions			\$33,776	42,331	\$797,902
Other deductions (Includes R&D deduction and 2012 New job creation deduction and undefined deductions)	Yes	No	\$10,631	18,751	\$566,956
Salaries, commissions and bonuses to employees	Yes	Yes	\$6,666	18,877	\$353,128
Services rendered	Yes	No	\$3,454	28,689	\$120,395
Depreciation and amortization	Yes	Yes	\$1,379	21,379	\$64,503
Lease, rent and royalties paid (real)	Yes	Yes	\$1,034	15,684	\$65,927
Bad debts	Yes	Yes	\$886	2,032	\$436,024
Interests on business debts	Yes	Yes	\$831	8,457	\$98,262
Materials used directly in the trade or business	Yes	Yes	\$742	12,179	\$60,925
Services subcontracted	Yes	No	\$596	3,667	\$162,531
Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible	Yes	No	\$569	191	\$2,979,058
Repairs and maintenance	Yes	Yes	\$547	24,532	\$22,297
Social Security (FICA)	Yes	Yes	\$511	18,152	\$28,151
Commissions to businesses	Yes	Yes	\$511	2,225	\$229,663
Advertising	Yes	Yes	\$480	11,052	\$43,431
Electric power	Yes	Yes	\$412	21,364	\$19,285

Property, contingency, public liability insurance and bonds	Yes	Yes	\$390	21,445	\$18,186
Lease, rent and royalties paid (personal)	Yes	Yes	\$310	4,674	\$66,324
Health or accident insurance plans	Yes	No	\$292	8,288	\$35,232
Management fees	Yes	Yes	\$279	2,739	\$101,862
Other motor vehicle expenses	Yes	Yes	\$250	13,960	\$17,908
Compensation to officers	Yes	Yes	\$247	3,390	\$72,861
Property tax deduction (personal)	Yes	Yes	\$219	14,116	\$15,514
Bank fees	Yes	Yes	\$181	28,974	\$6,247
Materials and office supplies	Yes	Yes	\$176	21,128	\$8,330
Other taxes (other)	Yes	Yes	\$168	13,441	\$12,499
Other taxes (patents)	Yes	Yes	\$164	21,439	\$7,650
Contributions to pension or other qualified plans	Yes	Yes	\$160	569	\$281,195
Telecommunication services	Yes	Yes	\$150	19,854	\$7,555
State Insurance Fund premiums	Yes	Yes	\$130	15,510	\$8,382
Water and sewage	Yes	Yes	\$125	15,956	\$7,834
Expenses incurred/paid to stockholders, persons, related entities outside PR	Yes	No	\$125	386	\$323,834
Compensation to directors	Yes	Yes	\$123	1,934	\$63,599
Automobile expenses	Yes	Yes	\$119	9,635	\$12,351
Royalties	Yes	Yes	\$103	647	\$159,196
Office expenses	Yes	Yes	\$87	12,297	\$7,075
Unemployment insurance	Yes	Yes	\$84	16,508	\$5,088
Expenses related to licenses and computer programs that cannot be capitalized	Yes	Yes	\$83	3,199	\$25,946
Property tax deduction (real)	Yes	Yes	\$81	5,757	\$14,070
Sales and use tax	Yes	Yes	\$66	8,799	\$7,501
Shipping and postage charges	Yes	Yes	\$61	6,496	\$9,390
Travel expenses	Yes	Yes	\$60	7,589	\$7,906
Other taxes (licenses)	Yes	Yes	\$49	13,103	\$3,740
Internet and cable or satellite television services	Yes	Yes	\$45	10,364	\$4,342
Mortgage interest	Yes	Yes	\$35	982	\$35,642
Expenses for dues, subscriptions and memberships	Yes	Yes	\$32	1,489	\$21,491
Meal and entertainment expenses	Yes	No	\$20	10,921	\$1,831
Charitable deductions	Yes	Yes	\$16	3,191	\$5,014
Stamps, vouchers and fees	Yes	Yes	\$15	2,815	\$5,329
Uniforms	Yes	Yes	\$14	6,275	\$2,231
Salaries paid to young university students*	Yes	No	\$12	120	\$100,000
Parking and tolls	Yes	Yes	\$11	4,465	\$2,464
Act 185-2014 deductions	Yes	No	\$10	26	\$384,615
Depreciation for businesses with volume less than or equal to \$3,000,000	Yes	No	\$10	799	\$12,516
Homeowners association fees paid	Yes	Yes	\$9	1,030	\$8,738
Interest paid on automobile financing lease	Yes	Yes	\$8	1,138	\$7,030
Losses from fires, storm, other casualties or theft	Yes	Yes	\$5	96	\$52,083
Contributions to educational contribution accounts for employee beneficiaries	Yes	No	\$1	3,760	\$266
Special contribution for professional advisory services (Act 48-2013)	Yes	Yes	\$1	77	\$12,987
Expenses in property leased to the PRIDCO or warehouse of the Puerto Rico Trade and Export Company	Yes	No	\$1	28	\$35,714
Deduction for employers who employ handicapped persons	Yes	No	\$0	1	\$0

Exclusions from gross income (\$ in millions)	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
<i>Part of exclusions and exemptions, from schedule IE Part I</i>					
Total exclusions			\$155	832	\$186,298
Other exclusions	Exempt	Taxed	\$105	751	\$139,814
Net income (or loss) from sources outside PR not related to the operation carried out in PR by a foreign corporation	Exempt	Taxed	\$41	16	\$2,562,500
Income derived from discharge of debts	Exempt	Taxed	\$7	22	\$318,182
Plantation insurance	Exempt	Taxed	\$2	41	\$48,780

Exemptions from gross income (\$ in millions)	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
<i>Part of exclusions and exemptions, from schedule IE Part II</i>					
Total exemptions			\$1,503	1,895	\$793,140
Other exemptions	Exempt	Taxed	\$642	697	\$921,090
Interest on: Obligations from the United States Government	Exempt	Taxed	\$367	183	\$2,005,464
Other dividends reported in a Form 480.6D	Exempt	Taxed	\$136	51	\$2,666,667
Interest on: Obligations from the Government of Puerto Rico	Exempt	Taxed	\$110	170	\$647,059
Distributions of dividends or benefits from Industrial Development Income of Exempt Businesses and in Liquidation under	Exempt	Taxed	\$71	4	\$17,750,000
Dividends received from: Industrial development income derived from certain interests	Exempt	Taxed	\$67	2	\$33,500,000
Interest on: Certain mortgages	Exempt	Taxed	\$23	22	\$1,045,455
Income generated by a new business that operates under a special agreement for the creation of young companies (Act 132-2010)	Exempt	Taxed	\$20	163	\$122,699
Rent of residential property under Act 132-2010	Exempt	Taxed	\$15	217	\$69,124
Exempt income of bonafide farmer	Exempt	Taxed	\$13	262	\$49,618
Dividends received from: Other dividends not reported in a Form 480.6D	Exempt	Taxed	\$13	48	\$270,833
Rents from the Historic Zone	Exempt	Taxed	\$6	37	\$162,162
Interest on: Obligations issued by the Conservation, Housing and Human Development Trust, the San Juan Monument's Pa	Exempt	Taxed	\$6	1	\$6,000,000
Other payments not reported in a Form 480.6D	Exempt	Taxed	\$4	65	\$61,538
Interest on: Other interests not reported in a Form 480.6D	Exempt	Taxed	\$3	37	\$81,081
Distributable share in the exempt income from pass-through entities	Exempt	Taxed	\$2	22	\$90,909
Other payments reported in a Form 480.6D	Exempt	Taxed	\$2	27	\$74,074
Income from buildings rented to the Government of Puerto Rico for public hospitals or schools, or health homes	Exempt	Taxed	\$1	3	\$333,333
Exempt income from rent under Act 165-1996	Exempt	Taxed	\$1	5	\$200,000
Income from news agencies or unions	Exempt	Taxed	\$0.30	12	\$25,000
Dividends received from: Cooperative associations	Exempt	Taxed	\$0.30	37	\$8,108
Interest on: Other interests reported in a Form 480.6D	Exempt	Taxed	\$0.20	13	\$15,385
Interest on: Securities under Agricultural Loans Act	Exempt	Taxed	\$0.10	4	\$25,000
All other exemptions	Exempt	Taxed	\$0.10	-	\$0

Credits subject to tax credit purchase moratorium	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
Total credits subject to moratorium			\$8.6	28	\$307,857

Purchase of tax credits	Credit provided	No credit provided	\$8.3	12	\$691,667
Credits carried from previous years	Credit provided	No credit provided	\$0.3	13	\$23,077
Other credits not included on the preceding lines	Credit provided	No credit provided	\$0.0	2	\$5,000
Construction investment in urban centers (Act 212-2002, as amended)	Credit provided	No credit provided	\$0.0	1	\$10,000
Losses or for investment in the Capital Investment Fund	Credit provided	No credit provided	\$0.0	-	\$0
Investment in housing infrastructure (Act 98-2001, as amended)	Credit provided	No credit provided	\$0.0	-	\$0
Investment in construction or rehab of rental housing for low- or moderate-income families (Act 140-2001)	Credit provided	No credit provided	\$0.0	-	\$0
Merchants affected by urban centers revitalization (Act 212-2002, as amended)	Credit provided	No credit provided	\$0.0	-	\$0
Purchases of products manufactured in Puerto Rico and Puerto Rican agricultural products	Credit provided	No credit provided	\$0.0	-	\$0
Establishment of an eligible conservation easement or donation of eligible land (Act 183-2001, as amended)	Credit provided	No credit provided	\$0.0	-	\$0

Credits not subject to moratorium	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
Total credits not subject to moratorium			\$139	194	\$715,464
Purchase of tax credits	Credit provided	No credit provided	\$121	12	\$10,091,667
Credits carried from previous years	Credit provided	No credit provided	\$11	13	\$861,538
Other credits not included on the preceding lines	Credit provided	No credit provided	\$4	2	\$1,950,000
Investment in film industry development (Act 27-2011)	Credit provided	No credit provided	\$3	11	\$236,364
Increase in investment	Credit provided	No credit provided	\$0	-	\$0
Investors who acquire an exempt business that is in the process of closing operations in PR (Act 109-2001)	Credit provided	No credit provided	\$0	-	\$0
Contributions to Patronage of Santa Catalina's Palace and/or Patronage of the State Capitol of the Legislative Assembly	Credit provided	No credit provided	\$0	-	\$0
Investment Act 83-2010 (Research and Development)	Credit provided	No credit provided	\$0	-	\$0
Investment in opportunity zones (Act 60-2019)	Credit provided	No credit provided	\$0	-	\$0

Foreign tax credit: \$4.8 million in TY 2019	Included in the current law?	Include in proposed law?	Value of the Provision, TY2019 (\$ in millions)	Number of taxpayers	Average Value of the Provision
Foreign tax credit	Credit provided	Credit provided	\$4.8	94	\$51,322
TOTAL			\$35,586.2	45,374	\$784,287

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Value of SUT Tax Base Components (current and expanded tax base), \$ in million

Tax Base Components	Total Value of Consumption	Current Law Revenue	Proposed Policy Revenue	Treatment under Current Law	Treatment under Proposed Policy	Description
Total	\$76,613	\$4,101	\$6,624			
A. Current Base Components	\$48,337	\$4,101	\$4,152			
General SUT sales	\$30,620	\$3,521	\$3,062	Included at standard rate	Included at standard rate	General taxable base includes taxable sales in retail, wholesale, transport, information, other services, etc.
Unprepared food, including food-at-home	\$7,598	\$76	\$760	Included at 1% for munis	Included at standard rate	Includes food items that are unprepared, including those for at home consumption
Prepared foods	\$3,307	\$231	\$331	Included at 7% rate	Included at standard rate	Sales of prepared foods, carbonated beverages, confectionery products and candies, Taxation on services rendered between two registered merchants, commonly known as
B2B services	\$6,812	\$272	\$0	Included at 4% rate	Excluded	business-to-business transactions or "B2B"
B. Expanded SUT Tax Base Components	\$25,310		\$2,472			
Medicine and health services	\$10,259		\$1,026			
Prescription Medicine	\$2,757		\$276	Excluded	Included at standard rate	Prescription medicines for human consumption including the jars and lids security tags and bags inherent to the office of prescription drugs
Health/Medical services	\$7,502		\$750	Excluded	Included at standard rate	Health or medical hospital services, whether for human beings or animals, not including the medications issued by prescription or provided by veterinarians
Other care/health related	\$844		\$84			
Supplies/Equipement for disabled	\$77		\$8	Excluded	Included at standard rate	Equipment to assist disabled individuals
Medical supplies and health equipment	\$381		\$38	Excluded	Included at standard rate	Purchase of machinery, medical-surgical material, supplies, articles, equipment and technology used solely in the performance of health services
Funeral up to \$4,000	\$66		\$7	Excluded	Included at standard rate	Funeral services, including expenses for wake and final disposition of body.
Elder care at center	\$320		\$32	Excluded	Included at standard rate	Care services provided by licensed elder care facilities, consisting of admission costs and monthly care payments but not including payments for services for social, recreational or educational nature, training, or other not related to care services.
Education	\$1,584		\$158			
Education including tuition	\$1,428		\$143	Excluded	Included at standard rate	Services covering registration costs and other charges relating to the provision of courses offered by entities regulated by the Puerto Rico Board of Education.
Child care at center	\$1		\$0	Excluded	Included at standard rate	Care services by licensed providers consist of registration costs and monthly care payments, not including services of an educational or recreational nature.
Texbooks	\$20		\$2	Excluded	Included at standard rate	Sale of printed and electronic books excluding magazines and newspapers.
Uniforms holiday	\$135		\$14	Excluded	Included at standard rate	Uniforms and supplies during periods exempt under current law
Finance/Insurance	\$3,063		\$306			
Financial fees	\$1,675		\$168	Excluded	Included at standard rate	Charges for services provided by financial institutions such as loans and investment services

Insurance services and commissions	\$1,388		\$139	Excluded	Included at standard rate	Insurance services and commissions, including the issuance of any insurance contract, without being limited to life, health, property and casualty insurance, warranty and extended warranty service contracts, property titles, reinsurance and excess limit, disability, credit insurance, annuities and bonds, and service charges
Other categories	\$9,560		\$897			
Gasoline	\$1,645		\$165	Excluded	Included at standard rate	Gasoline, aviation fuel, gas oil or diesel oil, crude petroleum, oil byproducts and finished products, or any other mixture of hydrocarbons, except propane gas and its byproducts or gases of a similar nature
Imported Vehicles	\$2,215		\$222	Excluded	Included at standard rate	Sales of automobiles, truck tractors, ATV vehicles, motorcycles, vessels, heavy equipment, buses, trucks and manual hook or non-heavy equipment trailers.
Solar electric	\$413		\$41	Excluded	Included at standard rate	Solar-electric equipment used to produce electric power, including their accessories and parts.
Lodging	\$1,542		\$154	Excluded	Included at standard rate	
Small Business Services	\$2,949		\$295	Excluded	Included at standard rate	Services rendered by businesses with an annual business volume does not exceed \$50k.
Promotional material	\$5		\$1	Excluded	Included at standard rate	All tangible personal property deemed promotional material and supplied at no cost for a promotional purpose or prizes, gifts, etc. given as part of incentive travel or recognition
Church sales	\$13		\$1	Excluded	Included at standard rate	Sales by merchants participating in a voluntary chain program involving tangible personal property sold for resale by members or partners of these programs.
Bona fide farmers	\$89		\$9	Excluded	Included at standard rate	Certified farmers' acquisition of specific listed articles, when acquired for exclusive use in their farm businesses
Tourism concessions	\$95		\$10	Excluded	Included at standard rate	Articles used with respect to a tourism activity.
National Guard store sales	\$50		\$5	Excluded	Included at standard rate	Items sold in military stores, canteens or other facilities operated by the Puerto Rico National Guard Institutional Trust or its concessionaire.
Menstrual products	\$132		\$13	Excluded	Included at standard rate	Applies to sales for feminine personal hygiene to absorb menstrual discharge.
Artisans	\$413		\$41	Excluded	Included at standard rate	All handicraft sold by a Certified Artisan (< than \$50,000)
C. Non taxable consumption	\$2,966		\$0			
Electricity	\$1,251		-	Excluded	Excluded	
Water	\$750		-	Excluded	Excluded	
Lease of Real Property	\$965		-	Excluded	Excluded	
Total SUT units	\$2,008,389					

Note: Estimates of expanded tax base derive from Hacienda's tax expenditure estimates for FY 2024. Tax base components related to National Guard store slaes, menstrual products and artisans are not included in the proposed policy scenario as these represent estimates for FY2025. These would be included in a future update of the model.

Proposed policy scenario represents an SUT standard rate at 10%, on current and expanded tax base, prepared and unprepared food taxes at standard rate, excludes B2B, electricity, water and rent. Estimates of motor vehicle sales include imported vehicles only. Estimates of other vehicle sales will be estimated and included in an updated version of the model as data becomes available.

	Commonwealth Revenue			Municipalities Revenue			Total Revenue		
in \$ million	10% on comprehensive			10% on comprehensive			10% on comprehensive		
	Current	base	Change	Current	base	Change	Current	base	Change
Total SUT Revenue (FY2024)	\$3,686	\$5,962	\$2,276	\$415	\$662	\$247	\$4,101	\$6,624	\$2,523
Total Property Tax Revenue (FY 2024)	\$138	\$42	(\$96)	\$1,093	\$369	(\$723)	\$1,231	\$411	(\$820)
Combined Revenue (SUT + property tax)	\$3,824	\$6,003	\$2,179	\$1,508	\$1,032	(\$476)	\$5,332	\$7,035	\$1,703
	Commonwealth Revenue			Municipalities Revenue					
SUT Share	90%	90%		10%	10%				
Property Tax Share	11%	10%		89%	90%				
Combined Share	72%	85%		28%	15%				

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These values and shares vary by the SUT and property tax proposal. The SUT proposal assumes an 10% on a comprehensive base. The property tax proposal assumes the elimination of the personal property tax and a 0.5% tax on real property valued at market values.