

### ***Fuel Excise Tax Increase to Finance Public Debt***

On October 30, 2014, House Bill 2212 (“HB 2212”) was filed to amend, among others, the Law for the Puerto Rico Infrastructure Finance Administration (“AFI” for its Spanish acronym) to create a Special Economic Assistance Fund that will receive the proceeds of a new tax on crude oil, unfinished oils or end products derived from oil and any other hydrocarbon mixtures (excluding natural gas). HB 2212 also amends the Puerto Rico Internal Revenue Code of 2011 (“PR Code”) to impose new excise taxes destined to provide financing to the Puerto Rico Highways and Transportation Authority (“PRHTA”).

HB 2212’s statement of motives states that to improve the PRHTA’s finances it is necessary for the AFI to assume or repay certain of its debts. Therefore, the Government proposes levying excise taxes on crude oil and partially elaborated and finished products and other hydrocarbon mixtures (excluding natural gas) and transferring to AFI all collections from such taxes.

#### Amendment to Section 3020.07

If HB 2212 is signed into law it would, as of the “Effective Date”, but no earlier than March 1, 2015, reduce the current \$9.25 tax imposed by Section 3020.07 of the PR Code to \$6.00.

For purposes of the HB 2212, “Effective Date” means that date in which all (i) liens on tax revenues and rights assigned to the PRHTA have been lifted and (ii) loans and obligations that the PRHTA has with the Puerto Rico Government Development Bank have been repaid or transferred to the AFI.

#### New Section 3020.07A

A new Section 3020.07A to the PR Code would immediately impose a \$5.00 tax on each barrel of crude oil and partially elaborated and finished products and other hydrocarbon mixtures (excluding natural gas). The tax will automatically increase to \$8.25 on the Effective Date, but not earlier than March 1, 2015. It shall also be adjusted for inflation at a rate of 1.5% per year starting on July 1, 2017.

Exemptions from this tax include those for use by the Puerto Rico Electric Power Authority (“PREPA”), export, sales to federal government agencies, refinery plant loss and crude oil products used as raw materials for finished goods not considered oil products.

#### New Section 3020.07B

A new Section 3020.07B to the PR Code would be added to immediately impose a \$1.25 tax on each barrel of crude oil and partially elaborated and finished products and other hydrocarbon mixtures (excluding natural gas). It shall also be adjusted for inflation at a rate of 1.5% per year starting on July



For more information on the above, please contact any of the following attorneys:

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1, 2017.

Exemptions from this tax include those for use by PREPA, export, sales to federal government agencies, refinery plant loss and crude oil products used as raw materials for finished goods not considered oil products.

The impact of the above increases is summarized in the following table:

PR Code Section	Current Law	Enactment	Effective Date
3020.07	\$9.25	\$9.25	\$6.00
3020.07A	\$0	\$5.00	\$8.25
3020.07B	\$0	\$1.25	\$1.25
<b>Total</b>	<b>\$9.25</b>	<b>\$15.50</b>	<b>\$15.50</b>

HB 2212 also extends the Commonwealth's full faith and credit to guarantee up to \$2.9 Billion of AFI's bonds and authorizes the Secretary of the Treasury to consent to allow creditor claims in the courts of New York.

You may access HB 2212 (in Spanish) [here](#).

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