

Memorandum for Policymakers from the Ad Hoc Group of Puerto Rico General Obligation Bondholders

Re: The Commonwealth’s Tax Collections Tell a Different Financial Story

January 10, 2018

**THE SPIN:**

- ***“Our economy has declined significantly, [...] lost the ability to collect taxes, and so obviously our liquidity has decreased in some areas... it has even reached a critical state.” – Governor Ricardo Rosselló***
- **The Oversight Board’s representations to the Court have stated that the Commonwealth was “facing an acute liquidity crisis” and that “the government’s cash reserves are about to dry out.”**

Two things are true about Puerto Rico: The fabled spin from Fortaleza and the Oversight Board never stops, and the numbers don’t lie. In case there’s still doubt, here’s the proof.

**THE FACTS:**

- The Commonwealth has released its data regarding total tax collections for FY18. Between July 1<sup>st</sup> and December 1<sup>st</sup>, 2017, **the government collected nearly \$3 billion in General Fund taxes.**

*\$ in MMs*

General Fund Tax Collections	Jul	Aug	Sep	Oct	Nov	Total
<b>FY18 Actuals</b>						
Individual	132.6	127.3	106.0	101.9	128.5	596.4
Corporations	91.0	42.9	160.6	87.0	68.4	449.9
Non-Resident Withholdings	52.2	24.0	49.7	34.8	38.5	199.2
Sales and Use Tax	91.6	102.7	71.7	48.5	68.9	383.4
Property Taxes	0.3	0.9	0.2	0.1	0.2	1.7
Foreign (Act 154)	207.0	181.8	177.7	105.9	121.8	794.2
Alcoholic Beverages	13.8	22.6	12.5	23.9	26.9	99.6
Cigarettes	13.4	11.5	4.9	12.0	26.6	68.3
Motor Vehicles	23.5	30.7	11.8	16.3	36.6	118.9
Rum Excise Tax	6.9	47.3	26.0	22.8	27.3	130.3
Other	17.1	17.1	6.6	15.8	27.1	83.7
<b>FY18 Net General Fund Actuals</b>	<b>649.4</b>	<b>608.8</b>	<b>627.6</b>	<b>469.0</b>	<b>570.7</b>	<b>2,925.5</b>
<b>FY18 Net General Fund Estimates</b>	<b>601.1</b>	<b>531.4</b>	<b>723.1</b>	<b>636.6</b>	<b>525.1</b>	<b>3,017.3</b>
<b>FY17 Net General Fund Actuals</b>	<b>665.1</b>	<b>550.0</b>	<b>722.5</b>	<b>700.1</b>	<b>533.9</b>	<b>3,171.7</b>
<b>Difference from FY18 Estimates</b>	<b>48.3</b>	<b>77.4</b>	<b>(95.5)</b>	<b>(167.6)</b>	<b>45.6</b>	<b>(91.8)</b>
	<i>8.0%</i>	<i>14.6%</i>	<i>(13.2%)</i>	<i>(26.3%)</i>	<i>8.7%</i>	<i>(3.0%)</i>
<b>Difference from FY17 Actuals</b>	<b>(15.7)</b>	<b>58.9</b>	<b>(95.0)</b>	<b>(231.1)</b>	<b>36.8</b>	<b>(246.1)</b>
	<i>(2.4%)</i>	<i>10.7%</i>	<i>(13.1%)</i>	<i>(33.0%)</i>	<i>6.9%</i>	<i>(7.6%)</i>

- Since the beginning of FY2018, the Commonwealth has been **beating tax collection estimates of FY18 budget by 8-15 percent** except for September and October, due to the Hurricanes. **In November alone, tax revenues beat estimates by 9 percent.** When factoring in the Hurricanes, fiscal year to date General Fund tax collection are just 3% below estimates.

- The numbers show that by December 5th, 2017, the Commonwealth had no liquidity needs.

The revelations in late December of billions of dollars of previously undisclosed funds and more than 690 previously undisclosed bank accounts further erode the credibility and candor of the Commonwealth and Oversight Board as to the true state of Puerto Rico's finances.