

**SALES AND USE TAX ALERT**  
**January 13, 2010**

**Special Sales and Use Tax and Debt Collection Unit**

On December 16, 2009, the Governor of Puerto Rico signed House Bill No. 1328 into law as Act No. 174 of December 16, 2009, (“Act No. 174”), which creates a special unit known as the “Special Sales and Use Tax and Debt Collection Unit,” (“Special Unit”) for the primary purpose of collecting, auditing, implementing and analyzing the Sales and Use Tax (“SUT”), and the collection of delinquent tax debts. Act No. 174 is one of the most recent steps taken by the Government of Puerto Rico (“Government”) to immediately reduce its fiscal crisis.

The Special Unit, which is attached to the Puerto Rico Treasury Department (“Treasury”), has the goal of collecting unreported tax revenues resulting from inefficiencies in the Government’s administration. On a quarterly basis, the Special Unit must issue a report describing the results of its debt collection initiatives. As an effort to maximize Government’s limited resources, the Treasury’s Special Unit will consist of employees transferred from other government agencies, independent contractors, or employees recruited in other manners as the Secretary of Treasury (“Secretary”) may deem appropriate.

Although Act No. 174 does not use the word or imply an amnesty program, it grants the Secretary ample regulatory powers and expressly grants the authority to establish a new program to ease the payment and collection of SUT and delinquent debts, and to provide general orientation on tax collection efforts. Further, Act No. 174 directs the Secretary to coordinate communication, cooperation and the development of strategic plans with the municipalities in order to achieve the Act’s goals.

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