

Fiscal Plan for the Municipal Revenue Collection Center

Improving Property Tax Collections

Fiscal Years 2023 through 2027

CERTIFIED by the Financial Oversight and Management Board
for Puerto Rico

May 20, 2022

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List of Acronyms and Key Terms

2001 CRIM Loan	GDB loan dated June 28, 2001, pursuant to Act No. 42-2000
2002 CRIM Loan	GDB loan dated March 18, 2002, pursuant to Act No. 146-2001
2020 CRIM Fiscal Plan	CRIM Fiscal Plan certified by the Oversight Board on June 26, 2020
2021 CRIM Fiscal Plan	CRIM Fiscal Plan certified by the Oversight Board on April 23, 2021
2022 CRIM Fiscal Plan	CRIM Fiscal Plan certified by the Oversight Board on May 19, 2022
A/R	Accounts Receivable
AAFAF	Fiscal Agency and Financial Advisory Authority
Act 16-1960	Act No. 16 of May 31, 1960, as amended
Act 29-2019	Act No. 29 of May 17, 2019
Act 53-2021	Act No. 53 of October 26, 2021
Act 60-2019	Act No. 60 of July 1, 2019, as amended
Act 72-1993	Act No. 72 of September 7, 1993, as amended
Act 75-1987	Act No. 75 of July 2, 1987, as amended
Act 80-1991	Act No. 80 of August 30, 1991, as amended
Act 83-1991	Act No. 83 of August 30, 1991, as amended
Act 106-2017	Act No. 106 of August 23, 2017, as amended
Act 253-2018	Act No. 253 of December 6, 2018, as amended
Act 107-2020	Act No. 107 of August 14, 2020, as amended
Agency	Municipal Revenue Collection Center
ARP Act	American Rescue Plan Act of 2021
ASES	Health Insurance Administration
Basic Municipal Contributions	Base tax rate on property (4% personal, 6% real)
CAE tax	Special Additional Tax
CARES Act	Coronavirus Aid, Relief and Economic Relief Act
CDBG-MIT	Community Development Block Grant for Mitigation
CDL	Community Disaster Loans
Central Government	Central Government of the Commonwealth of Puerto Rico
Commonwealth	Commonwealth of Puerto Rico
COR3	Central Office for Recovery, Reconstruction and Resiliency
CRIM	Municipal Revenue Collection Center
CRIM 360	CRIM's unified billing system
DMO	Default Management Office

Digital Cadaster	Digital Cadaster of Puerto Rico
Electronic Lottery	Additional Lottery System
Equalization Fund	Municipal fund established per Article 7.015 of the Municipal Code
ERP	Enterprise Resource Planning
ERS	Retirement System for Employees of the Government of Puerto Rico
Extraordinary Fund	Municipal fund established as a sub fund to the Equalization Fund per Article 405 of Act 53-2021
FEMA	Federal Emergency Management Agency
FOMB	Financial Oversight and Management Board for Puerto Rico
FTE	Full-Time Employee
FY	Fiscal Year
GDB	Government Development Bank
GNP	Gross National Product
GO	General Obligation
Government	Central Government of the Commonwealth of Puerto Rico
Hacienda	Department of the Treasury of Puerto Rico
HANSEN	CRIM's existing billing application
HUD	U.S. Department of Housing and Urban Development
La Liga	An organization comprised of municipal mayors
Loan Agreements	Loan Agreements for the 2001 CRIM Loan and the 2002 CRIM Loan
MFA	Municipal Finance Authority
MOU	Memorandum of understanding
Municipalities	Collectively, the 78 Municipalities of Puerto Rico
Municipal Code	Act No. 107 of August 14, 2020, as amended
Oversight Board	Financial Oversight and Management Board for Puerto Rico
PayGo	Pay-as-you-go pension contributions to the Commonwealth's system
PHE	Public Health Emergency
POA	The Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al
PRASA	Puerto Rico Aqueduct and Sewer Authority
PREPA	Puerto Rico Electric Power Authority
PROMESA	Puerto Rico Oversight, Management, and Economic Stability Act
Regulation 9094	Regulation Number 9094 of June 18, 2019

RFP	Request for Proposals
State Redemption Fund	Fund holding the 1.03% property tax levied pursuant to the Municipal Code collected by CRIM
SKALA II	CRIM's new property appraisal system
Tax Relief Program	Tax amnesty program to collect past due property taxes

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Executive Summary

The Municipal Revenue Collection Center (“CRIM” for its Spanish acronym, or “Agency”), plays a vital role in supporting Puerto Rico’s 78 municipalities (“Municipalities”) in their economic and social development by ensuring an efficient process for collecting and distributing real and personal property taxes. CRIM must seize all opportunities to maximize property tax collections and ensure the effective distribution of these funds to the Municipalities so that Municipalities can fund essential services and pay their statutory and contractual obligations. This Fiscal Plan for the period covering Fiscal Year (“FY”) 2023 through FY2027 (“this Fiscal Plan” or the “2022 CRIM Fiscal Plan”) is an update and a continuation of the requirements set forth in the CRIM Fiscal Plans certified by the Oversight Board on April 23, 2021 (the “2021 CRIM Fiscal Plan”) and on June 26, 2020 (the “2020 CRIM Fiscal Plan”).

In accordance with the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), this Fiscal Plan projects a baseline forecast of the sources and uses of funds for the next five (5) fiscal years based on historical trends and discussions with CRIM management. In order to provide a greater revenue base for the Municipalities and ensure greater fairness in property tax collections, CRIM must implement certain measures to improve operations and tax compliance. These measures are incremental to the baseline projections and must be successfully implemented to achieve this Fiscal Plan’s targets.

The measures outlined in this Fiscal Plan focus on enhancing property tax collections by achieving operational efficiencies, integrating IT systems, and improving compliance to ensure all property owners pay their fair share of taxes. The enhancement of property tax collections is an important step to help the Municipalities reduce their reliance on the transfer from the Commonwealth. Similarly, improving property tax collections is a vital step to strengthen local municipal economies which will allow local investment and economic growth. This self-sustaining growth cycle will ensure the Municipalities achieve long-term fiscal sustainability to continue to offer essential services to the people of Puerto Rico. The measures focus on:

- **Implementing operational efficiencies** – CRIM continues an operational transformation centered around replacing outdated and inefficient applications and hardware, implementing best practices for business continuity, re-engineering processes to improve services to the Municipalities and taxpayers, and establishing

a more data-driven culture. These technology-focused initiatives continue to serve as the foundation for CRIM to implement strategies for successfully enhancing tax revenue collections.

- **Improving tax compliance** – CRIM is undertaking various measures to improve the accuracy of the tax registry and property records, including working in collaboration with other government agencies to update the tax rolls to accurately reflect property taxable value and ownership. These measures will allow CRIM to better capture unrealized property tax revenues by increasing tax compliance and improving overall collection rates.

To date, many of the initiatives have been delayed due to challenges encountered in the IT system integration. These include data integrity issues within the taxpayer and virtual appraisals platforms. As part of the measures outlined in this Fiscal Plan, CRIM will implement remediation steps to improve the IT system integration and increase data quality.

Success will come from CRIM’s ability to effectively collaborate with the Municipalities, other government agencies, and the Oversight Board to implement the initiatives outlined in this Fiscal Plan.

Part I. Context

Chapter 1. History of CRIM

CRIM was created as part of the municipal reform process through Act No. 80 of August 30, 1991 (as amended, “Act 80-1991”) as a municipal entity, independent and separate from any other agency and instrumentality of the Commonwealth of Puerto Rico. Act 80-1991’s Statement of Motives explained that even though the municipal finances were largely funded by property taxes and transfers from the Central Government, control over these funds was retained by the Puerto Rico Treasury Department (“Hacienda”), leaving municipal governments without full visibility and access to the management of these revenue streams. Through Act 80-1991, the administration of Act. No. 83 of August 30, 1991, as amended, known as the Municipal Property Tax Law (“Act 83-1991”), was delegated to CRIM. Furthermore, pursuant to Act 83-1991, all powers, faculties, and functions related to tax collections on real and personal property were transferred from the Hacienda to CRIM. Both Act 80-1991 and Act 83-1991 were repealed and substituted by Act No. 107 of August 14, 2020, known as the Puerto Rico Municipal Code (“Municipal Code”).

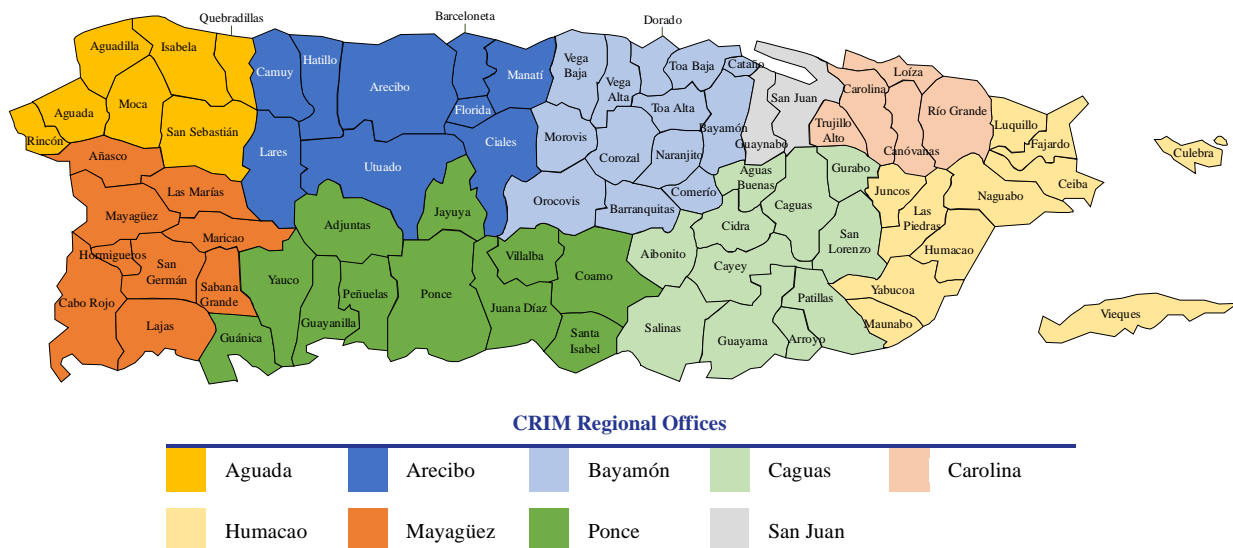
CRIM provides fiscal services to the Municipalities and has the responsibility to appraise, assess, notify, collect, and distribute real and personal property taxes. CRIM also collects and allocates the Central Government transfers and any other funds determined by law for the benefit of the Municipalities. In addition, CRIM is responsible for maintaining and updating the registry of real property in each Municipality, which is known as the Digital Cadaster of Puerto Rico (“Digital Cadaster”).

CRIM has a governing board composed of nine (9) mayors, representing the Municipalities, and two (2) members of the Central Government: the executive director of the Fiscal Agency and Financial Advisory Authority (“AAFAF,” for its Spanish acronym) and a public official with

experience in municipal affairs appointed by the Governor. A series of rules dictate the composition of the nine (9) mayors assigned to the governing board. Five (5) of the mayors are aligned to the political party that obtained the most votes in the immediately preceding general elections. The mayors elected as members of the governing board serve for a term of four (4) years or until their successor is appointed and takes office. The agency is headed by an executive director, who is appointed by the governing board. Elected officials compose most of the governing board. As a result, frequent changes in CRIM’s leadership, including its executive director, have occurred over the agency’s 30-year history.

CRIM has one (1) central office and nine (9) regional offices, as shown in **Exhibit 1**. The offices are in Aguada, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce, and San Juan. In addition to serving the taxpayers and supporting property tax collection, these offices carry out technical functions, such as property appraisals.

Exhibit 1: CRIM Regional Offices



In addition to the regional offices, and to increase efficiency and improve customer service, CRIM established a call center to provide a faster and more reliable service to taxpayers and facilitate access to certain information and services. With this call center, taxpayers can complete certain transactions, including paying property taxes, without visiting one of the offices in person. As discussed in **Part V: Measures**, CRIM will continue to leverage this call center to improve compliance and enhance property tax collections.

CRIM also delegates services and responsibilities to the Municipalities via collaborative agreements. These collaborative agreements allow CRIM to leverage the knowledge and close relationship that the Municipalities have with their constituents to, among other things, improve property tax compliance. Through these collaborative agreements, the Municipalities can carry out collections of property taxes, appraisals of new properties, verification of real property improvements and personal property filings, investigation of exemptions and exonerations, issuance of map certifications, and foreclosures on behalf of CRIM. Before delegating any of these services, CRIM must review and approve applications completed by Municipalities. CRIM evaluates the working conditions, infrastructure, and knowledge and experience of each

Municipality to determine if the applications should be accepted. These responsibilities may be dissolved at the request of the Municipality or by CRIM if, through quality control and audits, irregularities are found. As of FY2022, 73 municipalities have been delegated functions such as appraisals, collections, verifications, and investigations. Furthermore, 55 municipalities can issue map certifications, and 18 municipalities can process foreclosures. CRIM must develop a robust reporting dashboard pursuant to the requirements in this Fiscal Plan to track all the work that Municipalities are doing on behalf of CRIM to ensure that municipal efforts complement the work being done by CRIM. **Part V: Measures** further discusses opportunities for CRIM to leverage the collaborative agreements to improve compliance and enhance property tax collections and the required system enhancements CRIM will perform to develop more robust reporting capabilities.

On June 18, 2019, Regulation Number 9094 (“Regulation 9094”) was approved to provide the framework through which Municipalities and CRIM will coordinate the collection of property taxes. The Oversight Board amended its policy on the review of rules, regulations, and orders, pursuant to Section 204(b)(4) of PROMESA, to increase transparency and to ensure compliance with any applicable fiscal plan, including the certified Commonwealth Fiscal Plan and the certified CRIM Fiscal Plan. As required by the Oversight Board, CRIM will continue to provide applicable proposed regulation amendments to the Oversight Board for review and approval as part of the regulatory amendment process.

In addition, in order to continue its mission of broadening its taxpayer base and increase accuracy in its Digital Cadaster, CRIM has signed or is seeking to sign Collaborative Agreements with other entities, such as the Property Registry, State Election Committee, LUMA, Hacienda, PRASA, State Insurance Fund, Office of Management & Budget, Puerto Rico Tourism Company, PR Housing Department, and the Planning Board.

Chapter 2. CRIM Operations

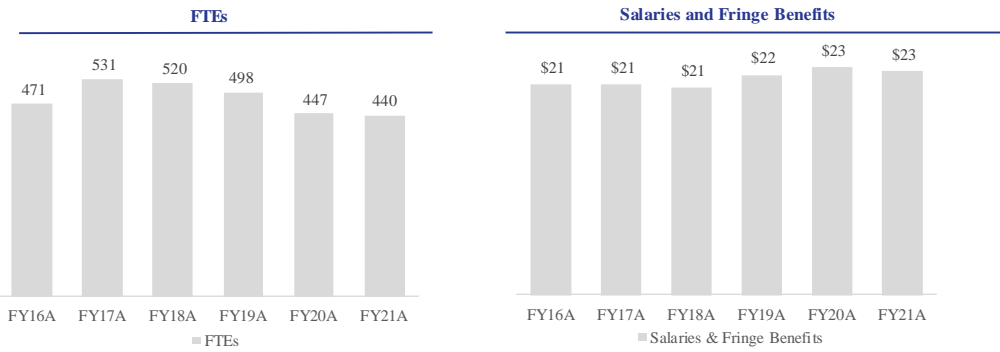
CRIM’s staff primarily facilitates the valuation, billing, and collection of real property taxes and personal property taxes, which are then distributed, along with other Commonwealth funds, to the Municipalities.

As depicted in **Exhibit 2**, CRIM had 440 total full-time employees (“FTEs”) and \$22.7 million in payroll expenses in FY2021.¹ FTE headcount has remained fairly consistent over the last five years, despite CRIM being understaffed in critical positions, including appraisers and collection agents. Apart from regular salary expenses, the largest payroll-related expense is funding PayGo, which accounts for approximately 22% of the total annual payroll expense.

Exhibit 2: CRIM FTEs and Payroll

(Dollars in millions)

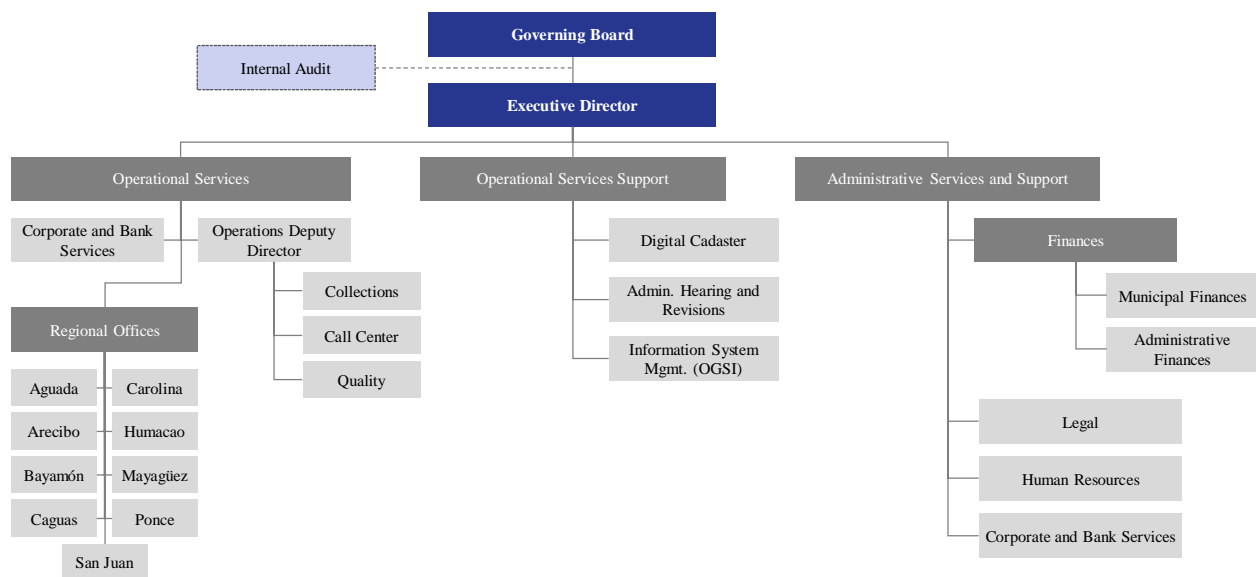
¹ Source: 2022 CRIM Fiscal Plan supporting documents CRIM FY23 - Fiscal Plan First Submission Data.xlsx. . Includes payments for: (i) vacation liquidations for retired personnel, (ii) vacation liquidations for “at-will” personnel, (iii) differentials, and (iv) reserved positions for employees with reinstatement rights or under a leave of absence.



CRIM has been continually restructuring its organization to deliver better services and improve collections. Functions are currently grouped into three main areas, as shown in **Exhibit 3** and detailed below:

- **Operational Services** – delivers direct services to taxpayers, municipalities, financial institutions, and corporations to collect real and personal property taxes. Many of the personnel performing these functions are located throughout the regional offices to provide localized support.
- **Operational Services Support** – maintains systems and applications that support operational services.
- **Administrative Services and Support** – advises the Executive Director and supports operational areas. Administrative units include Municipal and Administrative Finance, Legal, Human Resources, and Administrative Services.

Exhibit 3: CRIM Organization Structure



Within Operational Services, many of CRIM’s employees work in the Regional Offices performing appraisal-type work. In FY2020 CRIM evaluated its staffing resources in comparison

to the number of unprocessed appraisals in the backlog to analyze optimal staffing levels. At the time, CRIM had 118 employees tasked with appraisal-type work, of which 91 were valuation technicians, 18 were research specialists, and 9 were licensed appraisers. These employees were responsible for approximately 1.3 million parcels of property. This equates to 11,234 parcels per employee, which is approximately 2.3 times the national average for large jurisdictions,² suggesting this department may be understaffed. This is discussed further in **Part V: Measures**.

As part of Operational Services Support, CRIM's staff also maintains the Digital Cadaster, which is an inventory of all real properties in Puerto Rico (parcels and structures) used for all purposes: tax, legal, economic, and administrative. CRIM is responsible, by law, to create and preserve the Digital Cadaster, which organizes the valuation data and appraisals of properties and is critical for the imposition of respective taxes. In 2016, CRIM engaged a third-party company to complete a Planimetric Project³ to digitally map all properties in Puerto Rico, which allowed CRIM to update the Digital Cadaster registry. The project used high-resolution digital imaging to create maps of Puerto Rico. Updated property information was extracted to identify new construction and home improvements, such as newly added swimming pools and property expansions.

Certain other Commonwealth agencies, such as the Department of Justice, maintain comparable databases; however, information sharing has not historically occurred. The data in each database for properties is not always aligned. On June 5, 2020, the Oversight Board submitted a letter to the Government under Section 205(a) of PROMESA, which provides a series of recommendations for improving the framework for land and property registration and establishing and confirming legal ownership. The Oversight Board recommended incorporating both the land and property tax registries to develop a uniform parcel ownership registry and a geographic information system database. CRIM must continue to collaborate with all the relevant government agencies to improve and maximize the Commonwealth's land parcel systems. The sharing of government-wide data sources will be instrumental for the achievement of certain measures. **Part V: Measures** discusses efforts to extract and align all these data sources.

In addition, CRIM recently began collaborating with Hacienda to share real property information. On June 26, 2020, CRIM signed a memorandum of understanding ("MOU") with Hacienda to facilitate sharing the information returns relating to the segregation, grouping, or transfer of real property. Under Act No. 75 of July 2, 1987, as amended ("Act 75-1987"), notaries must complete and electronically submit to Hacienda an information return for each property deed they notarize. CRIM and Hacienda must continue to work together to effectively share this information, which will ensure that the cadaster is updated to reflect any changes in real property ownership. The sharing of information will be governed by the terms and conditions of the MOU. Similarly, CRIM must also establish a MOU with Hacienda, as allowed by the Municipal Code, to corroborate the self-assessed value of the personal property reported to CRIM by the taxpayer with what is reported to Hacienda. The sharing of personal property information is discussed further in **Part V: Measures**.

Since September 2021, CRIM has been in conversations with the Puerto Rico Department of Housing ("PRDOH") to plan collaboration efforts between both agencies with the goal of developing a comprehensive property tax registry. The United States Department of Housing and

² Calculation based on survey from the International Association of Assessing Officers

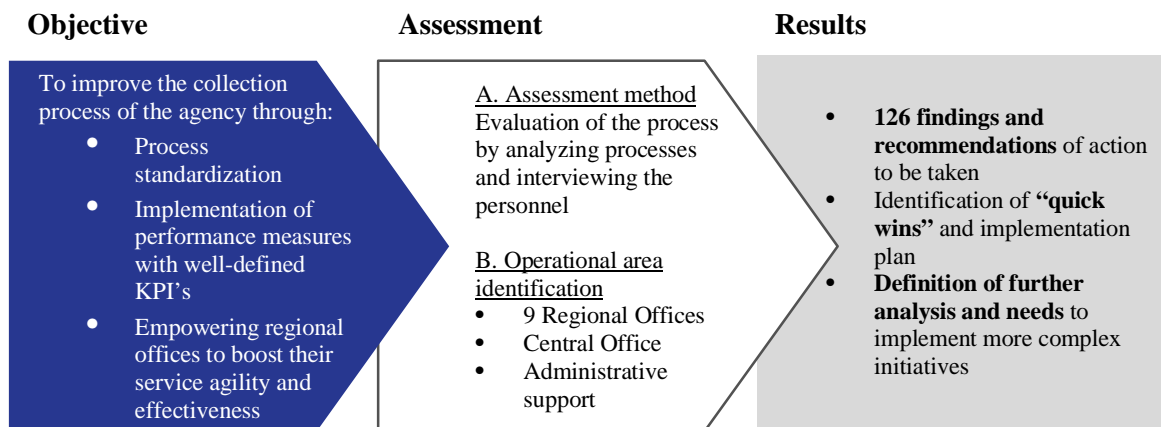
³ A Planimetric Project involves the creation of maps through the process of recording, measuring, and interpreting photographic images to identify roads, buildings, and other physical objects in an area.

Urban Development (“HUD”) has allocated \$50 million in CDBG-DR funding to PRDOH to carry out Puerto Rico Geospatial Framework (“GeoFrame”) Program by bringing together different parties including governmental agencies to consolidate land and cadastral data into one comprehensive database. CRIM and PRDOH are in the process of executing a MOU to begin collaboration to share CRIM’s property cadaster data with the PRDOH to create a more inclusive and complete property registry. The GeoFrame Project is discussed in more detail in **Part V: Measures**.

2.1 CRIM Operations Improvements

In February 2018, CRIM commissioned an operational assessment to identify potential areas to enhance property tax collections. During June and July 2018, an external company completed the commissioned operational assessment. **Exhibit 4** gives an overview of this assessment. Of the initiatives developed from the assessment findings, some have been completed, while some remain ongoing. These initiatives have been incorporated into the measures of this Fiscal Plan and part of CRIM’s operational improvements over the last two years.

Exhibit 4: 2018 Operational Assessment



2.2 Improvement to Real Property Tax Base

CRIM has yet to fully implement the measures outlined in the 2020 CRIM Fiscal Plan and 2021 CRIM Fiscal Plan, which has delayed capturing potential incremental annual revenues on behalf of Municipalities.

CRIM set out to commence the implementation of the initiatives set forth in the 2020 CRIM Fiscal Plan with a target of full implementation by the end of March 2023. While the timelines of all the different activities were strategized accordingly, the work progression was dependent on the quality and integrity of its existing data systems and capacity of personnel. The vast majority of delays have been directly tied to data integrity issues within the taxpayer and virtual appraisals platforms which were identified through manual validation and testing. To mitigate discrepancies,

CRIM was required to add a manual data validation process to validate reports being generated, causing further delays to the appraisal and billing processes.

CRIM must focus on continued testing of the ERP systems to remediate data integrity issues included in property valuation data, property classifications, and property exemptions and exonerations to improve the accuracy of the tax records. Additionally, CRIM must continue to reconcile tax collection data to ensure accurate cash collection match with bank deposits.

This testing phase of implementation will be an ongoing exercise throughout FY2023 to ensure optimal quality data, with CRIM engaging outside advisors to develop and implement a system integration and data remediation plan.

During FY2022, CRIM launched the new ERP System, CRIM 360. After migrating data from the then existing system (*Hanssen*), new rules, software scripts, and automated processes in CRIM 360 ended up creating duplicate records, data misclassifications, and irregular entries.

While these delays are being partially mitigated, the completion timelines in this Fiscal Plan have been adjusted to reflect the unforeseen delays in implementing these measures.

Notwithstanding these delays, CRIM has achieved some progress in implementing the measures, as detailed below. CRIM continues the process of implementing these measures and will continually adapt to new hurdles which may arise in the process.

2.2.1 Incorrect Mailing Addresses

In FY2020, CRIM began collaborating with PRASA to compare the addresses in CRIM's billing system with those in PRASA's database to increase the accuracy of the billing information. By July 2020, CRIM had corrected and billed more than 45,000 addresses and by July 2021 CRIM had billed an additional 88,000.

2.2.1 Identification and Appraisals of New Property

CRIM was able to bill an initial subset of appraisals for two pilot municipalities, consisting of billings from 742 appraisals in the Municipalities of San Juan and Guaynabo. The initial batch resulted in collections of \$1.54 million.

2.3.2 Home Improvements Not Included on Tax Roll

CRIM completed the valuation of more than 517,000 home improvements that were not registered in CRIM's databases. CRIM billed the initial batch in the same two pilot municipalities, which consisted of billings resulting from 965 appraisals. The initial batch resulted in collections of \$2.25 million.

2.3.4 Appraisal of Non-Appraised Properties

CRIM's workplan included the Appraisal of Non-Appraised Properties as one of the final areas of focus within the measures. Considering the aforementioned delays, CRIM proposes to appraise 25% of the backlog by the end of Q2 FY2023.

2.3.5 Swimming Pools

CRIM completed the valuation of more than 25,000 properties with pools, for total collections in the initial batch for the pilot municipalities of \$40,000.

2.4. Tax Relief Program to collect past due A/R

As part of the Measures to be implemented by CRIM, the 2021 Fiscal Plan required CRIM to value and sell its past due A/R Portfolio on or before June 30, 2022. In an attempt to collect a majority of its past due debt without negatively impacting its taxpayer base, and after discussion between CRIM and the Oversight Board, the project for the collection of past due debts began in November 2021, in accordance with the *Regulation for the Benefit of the Taxpayer for the Payment of Debts* (“Tax Relief Program”) approved by the Oversight Board. The first stage of this project, which ended on February 28, 2022, allowed the taxpayer to pay the principal amount of the debts corresponding to fiscal years 2019-20 or prior fiscal years, with interest, surcharges, and penalties waived; for the debts corresponding to fiscal years prior to fiscal years 2016-17, the taxpayer was able to settle the debt at 45% of the outstanding principal amount with interest, surcharges, and penalties also being waived.

During the period from November 2021 to March 2022, CRIM collected \$194.2 million, of which 95%, or \$185.4 million was collected in the first tier of the program through February 28, 2022. During the first-tier period, the effect of collected invoices and adjusted/corrected invoices, **reduced** Accounts Receivable (“A/R”) by \$572.7 million (\$319.5 million in principal and \$253.1 million in interest/surcharges).

The collection program will continue through June 30, 2022, with the next tiers of the program offering to the taxpayer a reduced relief of principal debts corresponding to fiscal years prior to fiscal year 2016-17 – i.e., if the taxpayer makes payment between March 1, 2022 and April 30, 2022, the taxpayer will pay 60% of outstanding principal debt and if they pay between May 1, 2022 and June 30, 2022, the taxpayer will pay 75% of outstanding principal debt. All interests and surcharges of debts corresponding to fiscal year 2019-20 or prior fiscal years are being waived, and the penalties of debts corresponding to fiscal years prior to fiscal year 2016-17 will also be waived.

Once the collection program is completed and the A/R portfolio is updated to reflect its impact, CRIM will continue its efforts to update its tax records by:

- Completing a portfolio analysis to document and determine accounts with no or low probability of being collected.
- Commencing the process of assessing the remaining A/R Portfolio for potential monetization, as required by the 2022 CRIM Fiscal Plan.

2.5. CRIM Operational Organization and Staffing

CRIM is in the process of re-engineering its day-to-day operations to better utilize the major innovation components it has been implementing. This requires reformulating some of the daily

tasks that its staff undertakes. While many of its tasks can be performed by existing employees, CRIM needs more personnel. However, part of the challenges CRIM faces are the difficulties of hiring new employees with developed technical skills at the existing salary scales. As such, CRIM is investigating the Civil Service Reform being implemented at the Central Government level, to ascertain the potential for CRIM participation, potentially piloting the reform program in technical areas such as the Finance Department.

In order to quantify the optimal level of employees needed at each division, CRIM is in the process of completing a staffing analysis, which commenced in FY2022. With the assistance of AAFAF, CRIM will analyze and identify areas to leverage technology advancements, improve efficiencies, and review staffing levels, and employee policies in order to develop a comprehensive staffing plan to address CRIM’s underutilized staff and understaffed departments.

CRIM expects to complete its staffing analysis and submit its recommendations by no later than December 15, 2022, after the following schedule of milestones in **Exhibit 5**

Exhibit 5: Staffing Analysis

Initiatives	Description	Timeframe
Staffing Analysis	Finalize Human Capital Global Needs Plan to identify staffing for an optimal workforce and identify under resourced positions	July 31, 2022
Salary Benchmark	Complete Human Capital Benchmark Comparison to analyze salary and benefits	September 30, 2022
Human Resources Policy	Complete analysis of current HR Resources and Manuals to identify proposed changes	October 15, 2022
Employee Performance Evaluations	Complete analysis and updates of Employee Performance Evaluations process	November 15, 2022
Recommendations	Present recommendations to CRIM’s Governing Board	December 15, 2022

Additionally, CRIM is currently in the process of redesigning and reestablishing a taxpayer Default Management Office (“DMO”) to assist taxpayers prior to default. The DMO will work with the regional offices, call center staff, and municipalities to improve collections efforts for the benefit of the municipalities, minimizing the buildup of A/R, accrued interest and penalties. CRIM expects to submit the framework for the DMO on or before August 30, 2022 in order to commence its pilot plan during Q1 and Q2 FY2023.

Part II. Sources of Funds

CRIM collects funds from revenue sources established by the Municipal Code. The four main revenue sources are real property taxes, personal property taxes, Central Government transfers, and operating revenues. Except for the operating revenues and the 5% administrative fee charged

by CRIM on the basic property tax collections, all other revenue sources are pass-through revenue and do not belong to CRIM. An overview of revenues can be found in **Exhibit 6**.

Exhibit 6: Overview of Revenues

Source of funds		FY2021 (Actual)	FY2022 (Estimate)	FY2023 (Projected)
Real Property Tax	<ul style="list-style-type: none"> 6% basic rate 	\$707 million	\$731 million	\$756 million
	<ul style="list-style-type: none"> 1.03% State Redemption Fund Tax 1.2% - 5.5% Special Additional Tax (“CAE”) (varies by Municipality) 			
Personal Property Tax	<ul style="list-style-type: none"> 4% Basic rate 	\$438 million	\$447 million	\$434 million
	<ul style="list-style-type: none"> 1.03% State Redemption Fund Tax 1.0% - 5.5% CAE (varies by Municipality) 			
Central Government Subsidies	Commonwealth Transfer	\$132 million	\$89 million	\$44 million
	Electronic Lottery	\$47 million	\$36 million	\$48 million
	Extraordinary Fund	N/A	N/A	\$58 million
	Exoneration Fund	N/A	N/A	N/A
Other Revenues	<ul style="list-style-type: none"> CRIM operating revenues from the sales of certifications and maps, bank service charges, interest income, and other miscellaneous income 	\$3 million	\$2 million	\$2 million

Property tax collections were \$1,145 million in FY2021, approximately 6.8% higher than the \$1,072 projected for FY2021 in the 2020 CRIM Fiscal Plan.

In addition to the collection of real property taxes and personal property taxes, CRIM is responsible for the distribution of the Central Government subsidies to Municipalities including the Commonwealth transfer and 35% of the net annual income from the Additional Lottery System (“Electronic Lottery”) deposited into the Equalization Fund (the “Commonwealth Transfer”). In accordance with the 2021 certified Commonwealth Fiscal Plan, the Commonwealth Transfer was

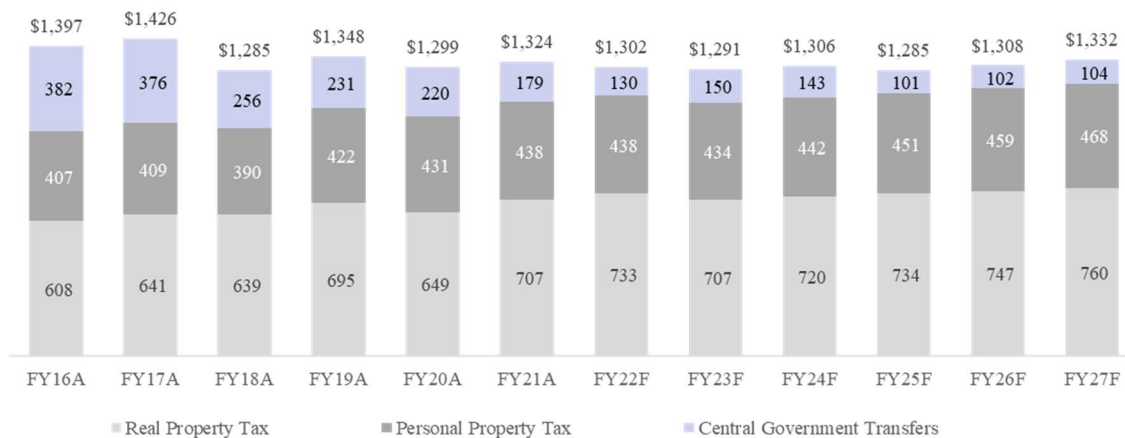
reduced to \$88 million in FY2022 and will be gradually phased out by FY2025. The Commonwealth Transfer for FY2023 is \$44 million and projected to be \$44 million in FY2024 before being reduced to \$0 in FY2025. The gradual step down of the Commonwealth transfer over several years allows the Municipalities to plan accordingly and implement the necessary action plans to address funding reductions. **Exhibit 7** presents historical and projected baseline property tax collections (excluding measures) and Central Government transfers over time.

To partially offset the impact from this Commonwealth Transfer phase out, the Government worked to supplement funding to municipalities through the enactment of Act 53-2021, known as the “Law to End Bankruptcy in Puerto Rico” in October 2021. The legislation provides funding to municipalities to support the collection and disposal of garbage, solid wastes, debris, as well as the implementation of recycling programs. For this purpose, the legislation established the “Extraordinary Fund to Address the Collection and Disposal of Residuals, Wastes, and to Implement Recycling Programs in the Municipalities” (the “Extraordinary Fund”), which will be within the “Municipalities Equalization Fund” provided in Article 7.015 of Law 107-2020, as amended, under an account separate from other income of said fund.

The fund was created as a mechanism for the Commonwealth to share with the 78 municipalities any savings achieved under the POA. The Extraordinary Fund will be funded with an annual allocation from the General Fund, which will be equivalent in each fiscal year to 42% of the amount collected during the prior fiscal year on account of the 1.03% property tax, which represents approximately \$72 million annually on average. This appropriation may only be included in the budget for a fiscal year if the actual amount of Medicaid funds received during the prior fiscal year exceeds the projected amount of Medicaid funds for such prior fiscal year as set forth in the Fiscal Plan of the Commonwealth of Puerto Rico certified by the Oversight Board in April 2021.

Exhibit 7: Baseline Property Tax Collections and Central Government Transfers

(Dollars in millions)



As part of the measures described herein, CRIM will continue to work with the Municipalities to increase property tax collections, which will provide additional funds for essential services and help offset the Commonwealth transfer phase-out. Municipalities should also identify additional economic development opportunities that will provide new revenue sources and incentivize economic growth. Higher economic growth would drive more investment, which in turn, would improve property taxes in a virtuous cycle. Municipalities should also develop and implement efficiency improvements and cost reduction plans, which may include shared services, centralization of certain functions, automation implementation, and other actions to ensure that the reduction of funding minimally impacts services provided to the people of Puerto Rico. **Appendix 1** identifies additional temporary support that the Commonwealth will provide to municipalities to incentivize service consolidation.

Chapter 3. Real Property

3.1. Values and Exemptions

In Puerto Rico, real (immovable) property consists of land, buildings, and any property adhered to the ground that cannot be moved. CRIM maintains the Digital Cadaster that, as of December 2021, had approximately 1.33 million real properties with a total value of approximately \$19.9 billion and a net taxable value of \$8.6 billion. Approximately 57% of the total real property value, or \$11.3 billion, is either exonerated or exempted from paying property taxes. Data from the Planimetric Project indicated that CRIM’s tax rolls might have been missing approximately 239,525 properties; taxation of these properties, projected to improve revenue by up to \$107.4 million a year, is discussed further in **Part V: Measures**.

Exhibit 8 provides a breakdown of the 1.3 million parcels on CRIM’s tax rolls in December 2021 by land use classification and further depicts the implied exemption rates by category as identified in a report published by the U.S. Treasury.⁴ **Appendix 4** presents this same information by detailed land use category.

Exhibit 8: Real Property Tax Exemptions by Land Use Categories (December 2021)⁵

Land Use Category	Total Properties	% of Total Properties	% of Total Value	% of Value Exempted or Exonerated	Average Exemption and Exoneration Rate
Residential	1,086,529	81.6%	60.2%	64.2%	67.4%
Commercial	39,753	3.0%	15.6%	17.0%	6.7%
Industrial	3,254	0.2%	16.1%	74.8%	21.6%
Vacant	191,111	14.4%	4.8%	48.1%	13.4%
Other	10,960	0.8%	3.3%	70.2%	39.8%
Total	1,331,607	100.0%	100.0%		

Data as of December 2021

Real property valuations for tax assessments are based on the property’s replacement cost value as if it were constructed in 1957, which was the last time a valuation assessment was performed on

⁴ Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

⁵ Latest CRIM Digital Cadaster data as of October 2021 as submitted by CRIM together with the April 4, 2022 Fiscal Plan submission

the real property in Puerto Rico. Structures built after 1957 are assessed for tax purposes as if they were built in 1957. This adjustment is made through construction estimates per square foot of a similar property built in 1957. This basic unit valuation is known as “Unitarios.” The “Unitarios” were established for 150 sub-classes of different structures and became the basic unit value to assess all real property and are still used by CRIM.

A typical real property tax assessment imposition is computed as shown:



Land is valued by January 1st of each year based on land area, land characteristics, and prices that existed in 1957. The value calculation is agnostic to the property location. According to the World Bank, area-based assessments are often used when the absence of developed property markets makes it difficult to determine market value, such as in Eastern Europe during the transition from the Soviet Union.

Most U.S. states value land and structures separately; however, no states use an area-based system for valuing land (with some exceptions for agricultural properties).⁶ In the mainland U.S., residential properties are commonly valued using a comparable sales approach, whereby recent sales of similar properties determine the taxable value of residential properties. In the case of industrial properties, most U.S. states use the cost or replacement value approach. The income approach (based on net annual income generated by the property) is mostly used for commercial property valuation.

Puerto Rico also differs from other U.S. jurisdictions in that it offers considerably more tax breaks both in terms of number and notional value. These tax exemptions and exonerations reduce the taxable base and hurt the Municipalities, which rely on property taxes to fund essential services. Exemptions are granted by a Commonwealth or Municipal Ordinance, while exonerations are granted under the Municipal Code. On August 26, 2020, the Oversight Board issued a letter to the Government, under Section 205(a) of PROMESA, providing broad recommendations on how the Government can overhaul the property tax system and broaden the taxable base to improve its efficiency, effectiveness, and, ultimately, collections. One recommendation was to reduce existing exemptions and exonerations to establish a comprehensive taxable base and an equal treatment of taxpayers. Some of these recommendations are now adopted in this Fiscal Plan, and their implementation is required, as further discussed in **Part V: Measures**. Similarly, to ensure that the real property taxable base is not further reduced, all new exemptions or exonerations must be revenue neutral and must be approved by the Oversight Board before implementation.

Per Article 7.035 of the Municipal Code, residential property taxpayers are granted a tax exoneration on real property for the first \$15,000 of the 1957 assessed value on one residence (this represents more than \$215,000 in current assessed value). By comparison, only 23 U.S. states

⁶ Some states use a graded (banded system) for agricultural properties, assessing these lands based on assumed relative differences in productivity in their current use (rather than their best market use).

(including the District of Columbia) provide a broad-based homestead exemption, and an additional 22 states provide homestead exemptions for specific categories of homeowners.⁷ **Exhibit 9** provides an overview of U.S. homestead exemptions, and **Appendix 5** provides a detailed breakdown by state.

Exhibit 9: Real Property Tax Exemptions by Type

Type	Number of states	Puerto Rico Exemptions
General	23	✓
Senior	18	✓
Disability-related	21	✓
<i>Disabled</i>	17	✓
<i>Blind</i>	10	
<i>Deaf</i>	1	
Military service related	36	✓
<i>Veteran</i>	14	✓
<i>Veteran widow</i>	8	✓
<i>Disabled veteran</i>	26	✓
<i>Active-duty Military</i>	4	
Other	14	✓
None	5	

Note: Disability-related and military service-related exemptions do not equal the sum of their respective subcategories because of overlap.

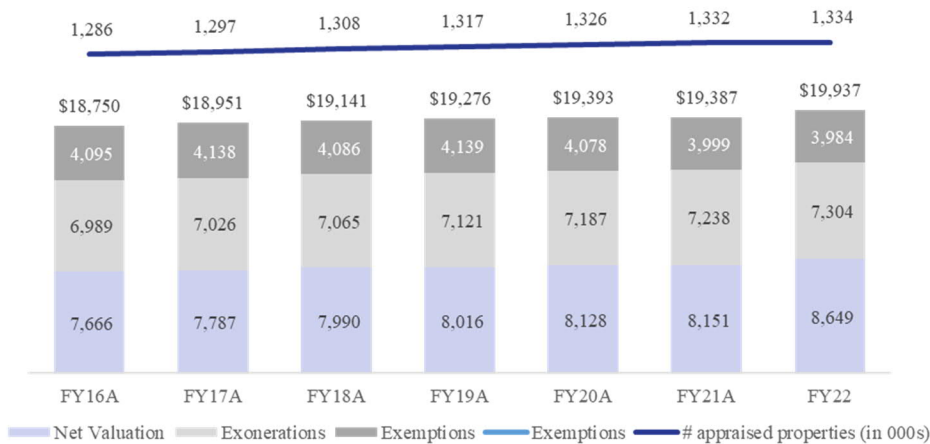
Additionally, under Puerto Rico law, special tax exemptions may be granted to veterans, agricultural properties, cooperatives, non-profit entities, hospitals, government properties, properties within historic areas/free trade zones, properties leased to elders, and on an *ad hoc* basis. To be granted these additional exemptions, taxpayers must file an application and meet each category's established requirements.

As shown in **Exhibit 10**, the number of appraised properties, total real property values, as well as tax breaks have remained relatively flat over the last five years (less than 1.0% annual growth). However, given the methods used to value real property, this pattern does not reflect the real change in the property's economic value over the period. Net taxable values have remained steady at approximately 40% of the total appraised value because of significant exemptions and exonerations. See **Appendix 6** for detailed figures by municipality.

Exhibit 10: Real Property Tax Exemptions, Exonerations, and Net Valuations

(Dollars in millions)

⁷ Source: Lincoln Institute of Land Policy



FY2022 data as of December 2021

Total tax exonerations and exemptions equated to \$7.3 billion and \$3.99 billion, respectively, of real property value as of December 2021 (FY2022), which is primarily the result of exonerations on residential properties. **Exhibit 11** presents these tax abatements by industry, and **Appendix 7** summarizes some of these economic incentive laws, as presented in CRIM’s annual financials.

Exhibit 11: Real Property Tax Abatement in FY2021⁸

(Dollars in thousands)

Industry / Business	Real Property Tax Abatement	% of Total Abatement
Buildings used for warehouses	\$51,188	15.9%
Pharmaceutical companies	111,792	34.6%
Hotels and related businesses	16,145	5.0%
Industrial companies and businesses	93,171	28.9%
Other industries and businesses	50,507	15.6%
Total	\$322,802	100.0%

3.2. Real Property Tax Rates

There are four components to the real property tax rate applied to the net taxable values discussed above. They are:

- (1) The Basic Municipal Contribution tax rate for real property is up to 6.00%.
- (2) The State Redemption Fund Tax adds 1.03%.
- (3) CAE tax rates vary by Municipality, ranging from 1.20% to 5.50%.

⁸ Source: CRIM FY2021 Financial Statements

(4) Act No. 16 of May 31, 1960 (“Act 16-1960”) authorizes Hacienda to grant a discount of 0.20% on the basic tax rate.

For example, the calculation for the real property tax rate in San Juan for FY2022, which has a CAE tax rate of 3.50%, is as follows:

<table border="1" style="background-color: #d9e1f2; width: 100%; height: 100%;"> <tr> <td style="text-align: center; padding: 5px;"><u>Basic Tax</u> 6.00%</td> </tr> </table>	<u>Basic Tax</u> 6.00%	+	<table border="1" style="background-color: #d9e1f2; width: 100%; height: 100%;"> <tr> <td style="text-align: center; padding: 5px;"><u>State Redemption Fund Tax</u> 1.03%</td> </tr> </table>	<u>State Redemption Fund Tax</u> 1.03%	+	<table border="1" style="background-color: #d9e1f2; width: 100%; height: 100%;"> <tr> <td style="text-align: center; padding: 5px;"><u>CAE Tax</u> 3.50%</td> </tr> </table>	<u>CAE Tax</u> 3.50%	-	<table border="1" style="background-color: #d9e1f2; width: 100%; height: 100%;"> <tr> <td style="text-align: center; padding: 5px;"><u>Discount</u> 0.20%</td> </tr> </table>	<u>Discount</u> 0.20%	=	<table border="1" style="background-color: #1a3a7a; color: white; width: 100%; height: 100%;"> <tr> <td style="text-align: center; padding: 5px;"><u>Total Tax</u> 10.33%</td> </tr> </table>	<u>Total Tax</u> 10.33%
<u>Basic Tax</u> 6.00%													
<u>State Redemption Fund Tax</u> 1.03%													
<u>CAE Tax</u> 3.50%													
<u>Discount</u> 0.20%													
<u>Total Tax</u> 10.33%													

In total, as shown in **Exhibit 12**, the combined real property tax rates for FY2023 range from 8.03% to 12.33% of net taxable value for all Municipalities. See **Appendix 8** for detailed calculations by municipality.

Exhibit 12: Real Property Statutory Rates for FY2023 (Post-discount)

Rate Range	Number of Municipalities
8.00% - 8.99%	11
9.00% - 9.99%	19
10.00% - 10.99%	38
11.00% - 11.99%	7
12.00% - 12.99%	3

3.3. Collection Rates

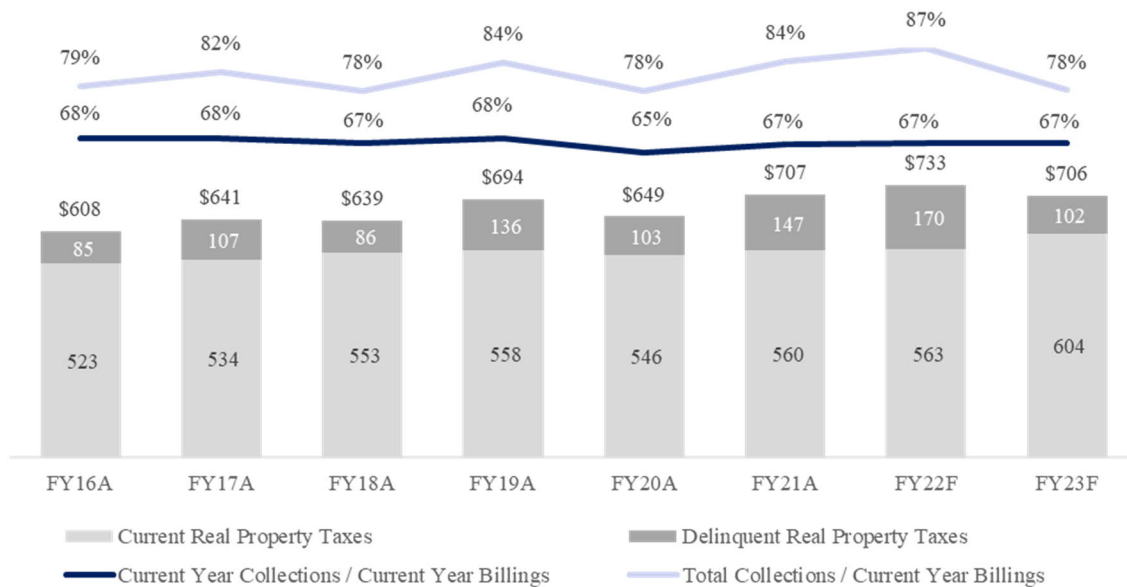
Current year real property tax collections have remained relatively flat over the last five years, with a decline in FY2018 because of Hurricanes Irma and Maria, and in FY2020 because of the COVID-19 pandemic.

Tax payments are due on July 1 and January 1, with a 90-day grace period. There is a discount matrix for real property tax payments within the 90-day grace period.⁹ Collections fall into two categories, current or delinquent, depending on the collection year, as shown in **Exhibit 13**.

Exhibit 13: Historical Real Property Total Tax Collections

(Dollars in millions)

⁹ Up to 30 days: -10%, 31 to 60 days: -5% and 60 to 90 days: no discount is granted, 90 days < implies fees, charges and interests. This matrix applies for the two payments datelines of the tax year.



Current year collections have averaged approximately 67% in recent years; however, in FY2020, the current-year collection rate reduced to approximately 65%, indicating that there were more delinquencies, largely attributed to the COVID-19 pandemic. As shown in **Exhibit 13**, a significant portion of annual real property tax collections come from past due payments by taxpayers. Past-due payments accounted for more than 20% of collections in FY2021 with \$147 million in collections and more than 23% of FY2022’s estimated \$170 million. Although FY2021 current year collections resulted in an average collection rate of 67%; the simple average among the 78 Municipalities was 61%, indicating a disparity in collection rates in the smaller municipalities, with FY2021 collection rates, ranging from 52% to 78%.

Historically, current year collection rates are well below comparable U.S. jurisdictions. For example, in FY2019, the current year collection rates for the City of Detroit, MI, was approximately 82%; Cleveland, OH, was approximately 90%; St Louis, MO, was approximately 93%; and Philadelphia, PA, was approximately 91%. Low collection rates are likely caused by outdated technology (i.e., siloed systems) and lack of enforcement (i.e., inefficient procedures and limited annual foreclosures).

Under Article 7.059 of the Municipal Code, a tax obligation is considered delinquent if it has not been paid within ninety (90) days from when the property tax payment became due. CRIM must follow up with all delinquent taxpayers and make all efforts permissible by law to enforce compliance, including embargoing delinquent properties. CRIM must assess the impacts of late payments and include procedures to address the large population of late paying taxpayers in the design of the DMO, which should increase current year collection rates and assist Municipalities in increasing revenues prior to seeking default remedies via tax liens and foreclosures.

Commonly, CRIM will execute the embargo process on a delinquent property if it is referred by a municipality or agency. However, CRIM must also track all delinquent properties and enforce the embargo process, even if not referred by a municipality or agency.

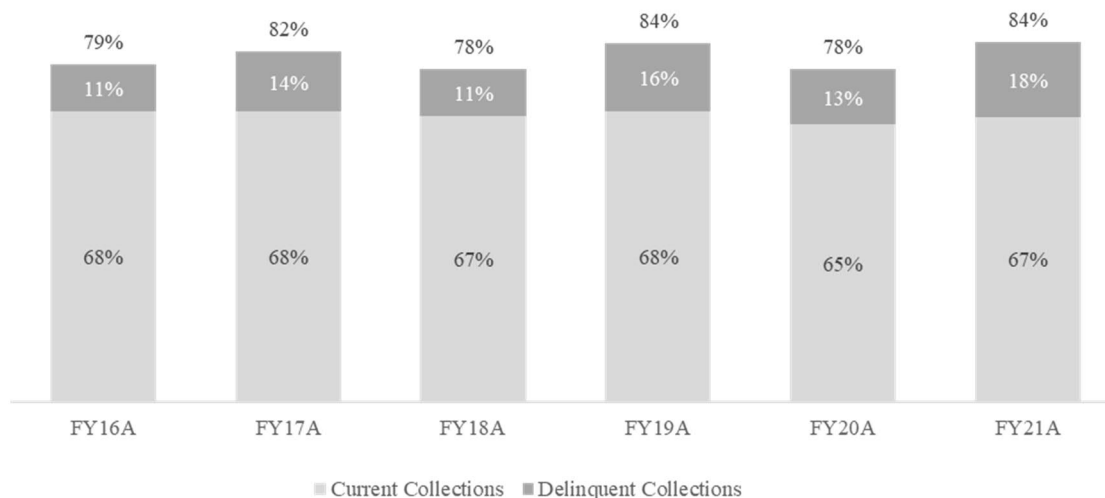
CRIM starts the embargo process by drafting a written embargo notification listing the taxpayer’s total debt, interests, and any penalty fees for the corresponding property. This notification is sent to the debtor following the Puerto Rico Rules of Civil Procedure with a warning that if the tax obligation is not paid within 30 calendar days after receiving the notification, the delinquent property will be sold in a public auction. The proceeds of the sale will be used to repay any outstanding debt. CRIM also has the authority to embargo the delinquent taxpayer’s bank accounts to collect any outstanding debt.

Due to the COVID-19 pandemic, embargoes and public auctions have been suspended. Currently, CRIM is only sending collection letters to delinquent taxpayers and waiting for approval to restart the embargo process.

In FY2023, pursuant to the measures outlined in this Fiscal Plan, CRIM is to resume all collection efforts with the re-establishment of a DMO, a default management group designed to assist taxpayers to avoid default by allowing forbearance and establishing payment plans before a payment default occurs. Additionally, the DMO will resume enforcement actions, including embargoes, tax lien sales, and public auctions to improve taxpayer compliance and increase collection rates to provide much needed financing for the municipalities.

Exhibit 14 depicts the historical collection rates as a percentage of current year billings, and **Appendix 9** identifies the current year collection rates by municipality. **Part V: Measures** further discusses opportunities for Puerto Rico to improve its subpar collection rates and sets July 31, 2022, as the deadline for CRIM to provide the Default Management Office organizational structure and draft policy book ahead of the pilot set to launch later in FY2023.

Exhibit 14: Historical Real Property Tax Billings and Collection Rates



Municipalities vary greatly in their collection rates. While nearly all municipalities have a current year collection rate below comparable U.S. jurisdictions, significant variances exist within Puerto Rico. As **Exhibit 15** below shows, in FY2021, Municipal current year collection rates for real property range from 78.2% for Guaynabo to only 40.7% for Guanica.

Exhibit 15: Highest and Lowest Current Year Collection Rates by Municipalities (FY2021)

<u>10 Highest Collections Rates</u>		<u>10 Lowest Collections Rates</u>	
Guaynabo	78.2%	Guánica	40.7%
Cataño	76.7%	Las Piedras	43.3%
Dorado	74.7%	Jayuya	44.9%
Cayey	74.7%	Salinas	47.1%
San Juan	72.0%	Maricao	48.6%
Gurabo	71.5%	Ciales	49.0%
Bayamón	71.4%	Guayanilla	50.0%
Peñuelas	70.8%	Las Marías	50.3%
Hormigueros	70.4%	Yabucoa	50.6%
Humacao	69.9%	Patillas	51.5%

Exhibit 16 below suggests that low real property collection rates have generated large gross accounts receivable (“A/R”) balances amounting to nearly \$4.5 billion in past due real property tax debts, some dating back as far as 1975. The delinquent A/R portfolio consists of \$2.5 billion in interest and penalties (net of discounts) on \$1.9 billion of principal at the end of FY2021.

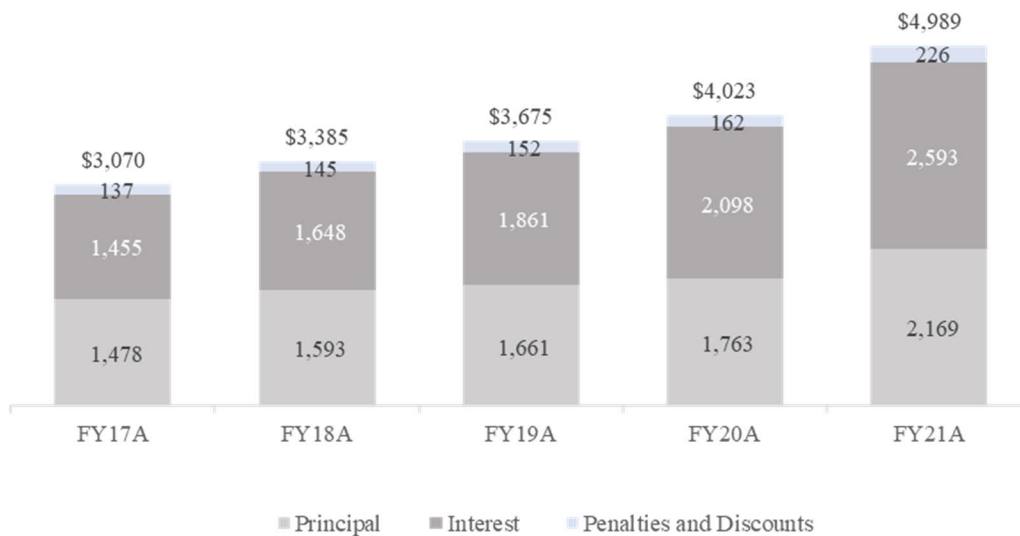
During FY2022 CRIM improved its data quality by validating tax liens, clearing backlogs, and other operational inefficiencies before conducting the Tax Relief Program which settled nearly \$600 million of past due A/R. CRIM must continue to update the A/R records to accurately reflect the past due A/R balance ahead of the engagement of a third-party advisor to validate the data and value the remaining real property A/R portfolio.

After analyzing the aged receivables, CRIM’s auditor established an allowance for uncollectable accounts of approximately 82%. After applying the reserve against the gross A/R balance, the net figure falls to approximately \$804 million at the end of FY2021. Through the first phase of the Tax Relief Program (ending March 2022), the A/R portfolio was reduced by approximately \$575 million as of March 31, 2022 from the settlement of past due taxes.

As required by this Fiscal Plan, and as further described in **Part V: Measures**, CRIM must sell the A/R portfolio by the end of FY2023.

Exhibit 16: Historical Real Property Tax Accounts Receivable Balance

(Dollars in millions)

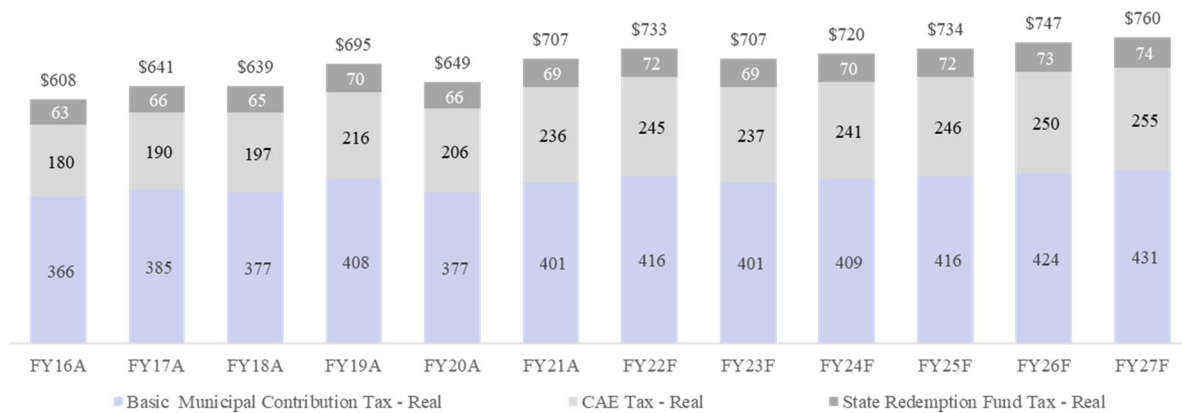


3.4. Real Property Tax Revenues Over Time

Exhibit 17 below presents historical and projected baseline revenues broken into three categories corresponding to the types of tax rates: Basic Municipal Contribution, CAE, and State Redemption Fund.

Exhibit 17: Historical and Projected Baseline Real Property Tax Revenues

(Dollars in millions)



3.5 Real Property Tax Reform

In March 2019, the U.S. Department of the Treasury assessed Puerto Rico’s property tax system, that should inform and guide effective tax design. The combined result is that the property tax in

Puerto Rico badly underperforms relative to its potential. Detailed criteria to guide the property tax system identified in the report are listed in **Appendix 3**.¹⁰

Similarly, on August 26, 2020, the Oversight Board issued a letter to the Government of Puerto Rico, under Section 205(a) of PROMESA, providing broad recommendations on how the government can overhaul the Commonwealth's property tax system to improve its efficiency, effectiveness, and, ultimately, collections. Many of these recommendations are aligned with the recommendations issued by the U.S. Department of the Treasury.

The recommended reforms identified in the letter, many of which would require legislation, consider the following four categories of changes:

1. Reduce exemption and exonerations

- a. CRIM must work with the Government, the Municipalities, and all appropriate agencies to conduct a detailed review of all current property tax exemption and exemptions, including those granted under Act 60-2019 to identify the parameters of such exonerations and exemptions and quantify the annual foregone revenue of each. This review should be completed to promote a comprehensive tax base and equal treatment of taxpayers.
- b. Once the detailed review is complete, the Government should repeal legislation authorizing current exemptions that are not justifiable under equity grounds and should establish a moratorium on the creation of new exemptions, considering a transition period for contractually agreed tax exemptions.
- c. The Government should develop and adopt formal policy guidance and regulations specifying the circumstances under which exemptions might be considered desirable, with the default position that all exemptions will be denied unless a compelling justification exists.

2. Establish a market value basis for property valuation

- a. Scenario 1: Refresh real property valuation approach to a “market-informed” system based on current market prices and construction methods.
 - i. CRIM must work with the Government, the Municipalities, and all appropriate agencies to complete an analysis to update the current cost/summation methodology used to value real property, which is currently based on outdated classifications and outdated pricing schedules that do not resemble the actual value of property improvements today;
 - ii. The Government should pass legislation to revise quality and materials classification categories to reflect present construction technologies/methods and establish construction cost schedules that reflect present-day construction/replacement costs;

¹⁰ Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

- iii. Similarly, CRIM must work with the Government, the Municipalities, and all appropriate agencies to complete an analysis to revise land valuation to reflect present-day market prices. A land value banding structure could be developed to classify land;
 - iv. The Government should pass legislation to revise land valuation to, at a minimum, reflect market valuation banding.
 - b. Scenario 2: Establish a true market value (transaction data) approach to property valuation.
 - i. After refreshing real property valuation, as explained in Scenario 1 above, the Central Government should pass legislation to establish a mass appraisal process to revalue properties on a recurrent basis;
 - ii. In addition, the Government should establish multiple methods for valuing improvements based on existing use and set land values equal to the market value of individual parcels of land.
3. Levy appropriate property tax rates
 - a. CRIM must work with the Government, the Municipalities, and all appropriate agencies to identify what the appropriate statutory and effective tax rates would be across the different property types to achieve the desired tax collection level and promote equity and fairness for all taxpayers.
 - b. The Government should pass legislation to levy appropriate tax rates across all property types.
4. As the Government modernizes the property tax system, it can use classification to transparently vary effective tax rates between residential, commercial, and industrial properties if such variation is justifiable. Instead of using exemptions and exonerations, effective tax rates can be adjusted across a broad category of property (to achieve explicit policy objectives) using differing assessment ratios or statutory tax rates based on the property type.

Chapter 4. Personal Property

4.1. Values and Exemptions

Personal (moveable) property consists of tangible and intangible property in industrial or business applications that can be moved from one place to another, including inventory, machinery and equipment, and other moveable assets.

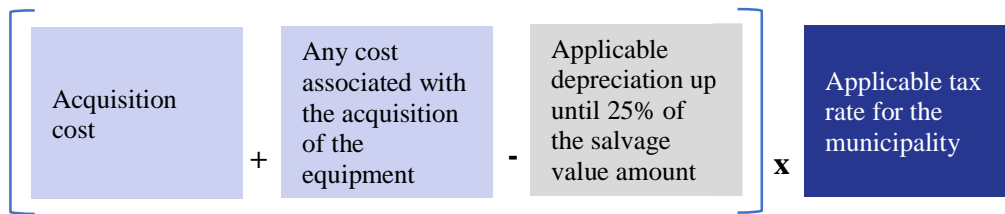
In FY2021, personal property filings exceeded 85,000, with a total valuation of approximately \$11.9 billion and a net taxable value of \$5.3 billion. Approximately 55% of the total personal property value, or \$6.6 billion, is either exonerated or exempted from paying property taxes. Unlike real property tax revenues, CRIM does not rely on a registry for personal property taxes.

Personal property is self-assessed annually by taxpayers, making compliance the key area of focus for improved revenues. This opportunity is discussed further in **Part V: Measures**

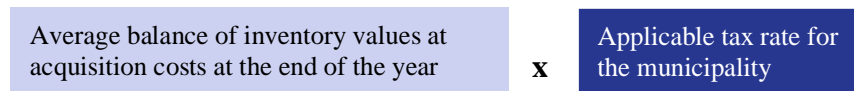
Inventory taxable value, excluding finished goods, is based on the lesser of book value or fair market value on January 1st of each year. On the other hand, finished goods inventory taxable value is assessed on the monthly average balance for the year preceding January 1st. These amounts are calculated by individual taxpayers and reported on their tax return filings on May 15th.

A typical personal property tax assessment imposition is computed as shown:

- For equipment:



- For inventories (excluding finished goods):



The cost approach is in line with the approach of most other U.S. jurisdictions. As a result, the valuation of personal property is much closer to the current market value than real property. This fundamental mismatch between the valuation methods used in personal property and real property may cause tax burden inequities among taxpayers in Puerto Rico. Presently, business machinery and equipment are valued at acquisition cost (minus depreciation) with a residual value not less than 10% – 20% of its purchase price (depending on property class).

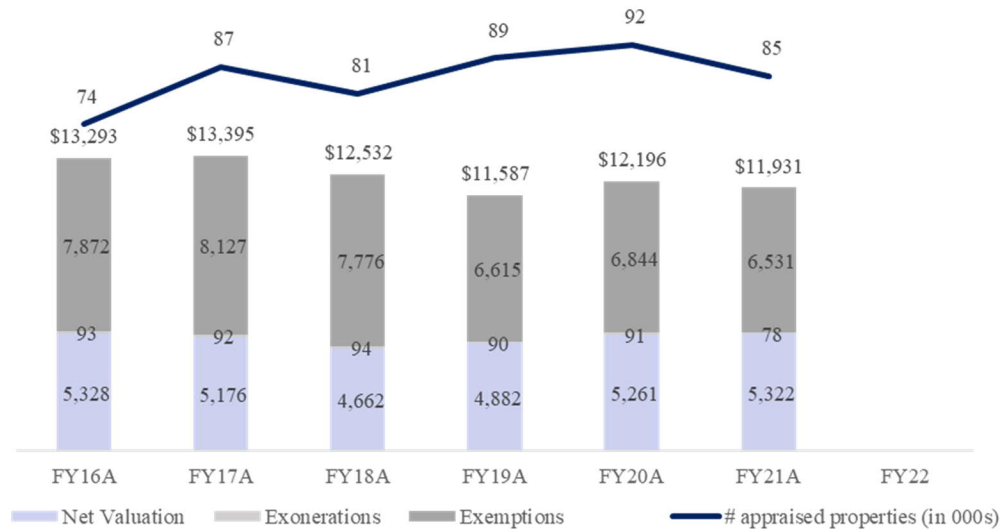
A significant portion of the personal property tax is made up of the tax on businesses' inventories. In FY2019, inventory represented approximately 55% of the total billable personal property taxes. For Cataño, Hatillo, and Bayamon, inventory represented 82%, 71%, and 68% of the total billable personal property taxes, respectively, the highest for any municipality. There has been significant pressure from local business groups to repeal this tax as it incentivizes companies to maintain as little inventory in Puerto Rico as possible. This practice has contributed to increased levels of recurring stockouts in Puerto Rico compared with U.S. levels, including severe supply shortages following Hurricanes Irma and Maria. Any efforts by the Government to eliminate the inventory tax must be revenue-neutral to both the Commonwealth and the Municipalities.

As shown in **Exhibit 18**, the number of personal property filings in FY2020 increased to more than 85,000 total filings, and the net taxable value of the personal property increased to \$5.3 billion. In FY2021, \$6.5 billion of the total personal property taxable value (roughly 55% of the total) was exempted or exonerated from paying taxes. CRIM must work closely with the Government to reduce existing exemptions and exonerations to establish a comprehensive taxable base and strengthen municipal finances, as further discussed in **Part V: Measures**. Similarly, to ensure that the personal property taxable base is not further reduced, all new exemptions or exonerations must

be revenue neutral and must be approved by the Oversight Board before implementation. **Appendix 10** presents detailed valuation and exemption figures by Municipality.

Exhibit 18: Personal Property Tax Exemptions, Exonerations, and Net Valuations

(Dollars in millions)



In May 2018, CRIM performed a study of tax returns and identified 3,887 different exemptions, of which 3,751 (97%) were granted by the Central Government. Approximately 63% of the total exemptions were granted under (i) Act 225-1995 (for agriculture), (ii) Economic Incentives Act of 2008, (iii) Economic Incentives Act of 1997, and iv) Act 83-1991 (for non-profit organizations). Many of these acts were repealed and substituted by Act No. 60 of July 1, 2019, as amended (“Act 60-2019”), known as the Puerto Rico Incentives Code. **Appendix 10** details the findings of the study conducted by CRIM. Additionally, certain exonerations are available to qualifying smaller businesses. A recently published report by the U.S. Treasury¹¹ found that “two-thirds of firms required to complete the filing process reported total personal property value for their firm at less than \$5,000. At the other extreme, 50 percent of the revenue billed came from just 178 companies, and 80 percent came from fewer than 1,000 companies.”

CRIM also reports total personal property tax abatements of approximately \$486 million in FY2021, primarily driven by industrial companies, as identified in **Exhibit 19**. Some of these economic incentive laws are summarized in **Appendix 7**.

Exhibit 19: Personal Property Tax Abatement in FY2021¹²

(Dollars in thousands)

¹¹ Source: Property Taxes in Puerto Rico: Assessment and Recommendations, March 2019.

¹² Source: CRIM FY2021 Financial Statements

Industry / Business	Personal Property Tax Abatement	% of Total Abatement
Pharmaceutical companies	\$74,575	15.3%
Industrial companies and businesses	186,160	38.3%
Professional services	69,676	14.3%
Commercial companies and businesses	140,658	28.9%
Other industries and businesses	14,930	3.1%
Total	\$486,000	100.0%

Puerto Rico’s personal property tax collections as a percentage of total property tax collections (approximately 40%) are a substantially larger portion than in the 50 states and the District of Columbia. For example, personal property comprises only 3.3% of the county taxable property base in Maryland.¹³ This disparity partially results from personal property exemptions widespread throughout the largest metropolitan areas in each of the 50 states and the District of Columbia, summarized in **Exhibit 20** below. Perhaps the most notable is inventory exemptions: 45 states provide preferential treatment, including 41 that provide a full exemption.

Exhibit 20: Personal Property Tax Exemption and Preferential Treatment in the U.S.

	Number of States
Machinery & Equipment	
Full Exemption	20
Preferential Treatment	30
Manufacturer's Inventories	
Full Exemption	41
Preferential Treatment	45
Fixtures	
Full Exemption	14
Preferential Treatment	22

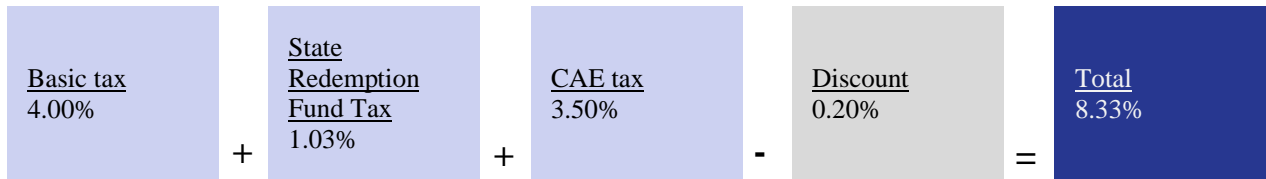
4.2. Personal Property Tax Rates

There are four components to the personal property tax rate applied to the net taxable values. These elements are:

- (1) The Basic Municipal Contribution tax rate for real property is up to 4.00%.
- (2) The State Redemption Fund Tax adds 1.03%.
- (3) CAE tax rates vary by Municipality, ranging from 1.00% to 5.50%.
- (4) Act 16-1960 authorizes Hacienda to grant a discount of 0.20% on the basic tax rate.

For example, the calculation for San Juan’s personal property tax rate for FY2022, which has a CAE tax rate of 3.50%, is as follows:

¹³ Source: Maryland Department of Assessment, *Seventy-Fourth Annual Report, FY2018*.



In total, as shown in **Exhibit 21** below, the combined personal property tax rates for FY2023 range from 5.80% to 10.33% of net taxable value for all Municipalities. See **Appendix 12** for detailed calculations by Municipality. Personal property tax rates in Puerto Rico are significantly higher than in any state in the U.S.

Exhibit 21: Personal Property Statutory Rates for FY2023 (Post-discount)

<u>Rate Range</u>	<u>Number of Municipalities</u>
5.00% - 5.99%	2
6.00% - 6.99%	21
7.00% - 7.99%	15
8.00% - 8.99%	34
9.00% - 9.99%	4
10.00% - 10.99%	2

4.3. Collection Rates

As mentioned above, taxes for personal property values are self-assessed by taxpayers on their personal property tax returns based on the values as of January 1st of each year. The personal property tax return is due on or before May 15th each year. An extension of 90 days is available to file the personal property tax return if requested on or before May 15. The filing extension does not constitute an extension for the payment of the taxes due. In FY2020, however, as a response to the COVID-19 pandemic, the personal property tax filing date was extended to August 1, 2020, which delayed collections of current year funds.

If the personal property tax liability exceeds \$1,000, the taxpayer pays estimated amounts in four equal quarterly installments due on or before the 15th day of August, November, February, and May of every year. Estimated personal property tax payments are the lesser of 90% of the current year's tax or 100% of the prior year's tax. Any tax not covered by the estimated tax payments needs to be paid by May 15th. For FY2021, CRIM delayed the first quarterly installment from August 15th to September 15th due to COVID-19. In FY2022, CRIM approved a seven-day short-term extension, due to the filing date occurring on a Sunday, and then extended again to account for the power outage that impacted the island in mid-April 2022.¹⁴

The taxpayer is allowed a 5% discount if the personal property taxes for the current year are paid through the required estimated payments. Taxpayers not required to pay estimated taxes can take the 5% discount if they pay their total personal property taxes by May 15th. Not paying the tax on

¹⁴ The FY2022 personal property tax filing deadline was extended on May 6, 2022, from May 15, 2022 to May 23, 2022

the due date can result in a penalty of 5% of the unpaid amount for a delay in payment over 30 days, but not more than 60 days; 10% of the unpaid amount for a delay in payment over 60 days, but not more than 90 days; and 15% of the unpaid amount for a delay in payment over 90 days.

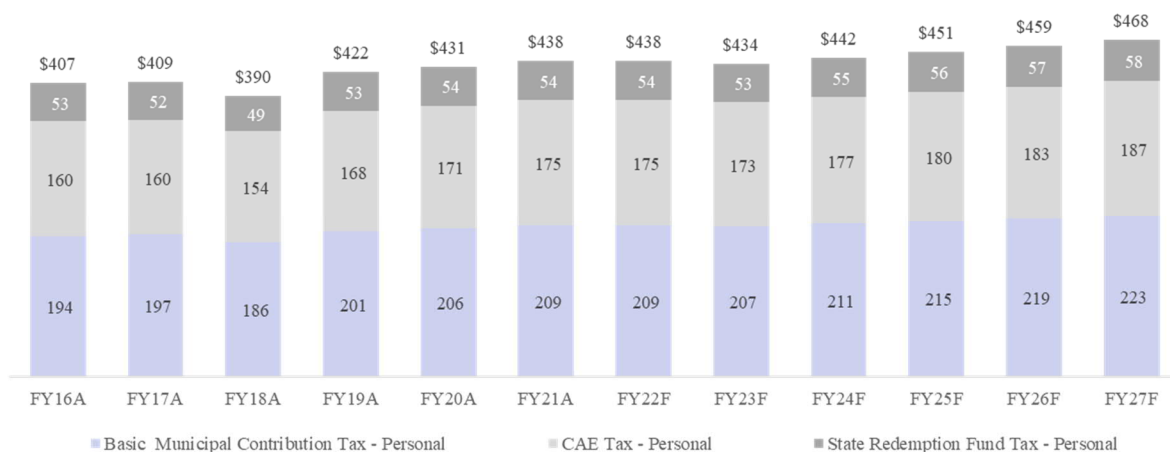
As may be expected with self-assessed taxes, total collection rates are close to 100%. CRIM’s operational efforts to date have focused on improving the electronic filing system to streamline and simplify the process for taxpayers, eliminate payment delays, and address other issues resulting from outdated technology. Starting in FY2018, CRIM required personal property filings to be submitted electronically through the Personal Property Portal. Future opportunities for personal property tax improvement rely primarily on increased compliance (i.e., ensuring appropriate valuation, application of exemptions, and filings). These opportunities are further discussed in **Part V: Measures**.

4.4. Personal Property Tax Revenues Over Time

Exhibit 22 presents historical and projected baseline revenues broken into three groups corresponding to the three types of tax rates.

Exhibit 22: Historical and Projected Baseline Personal Property Tax Revenues

(Dollars in millions)



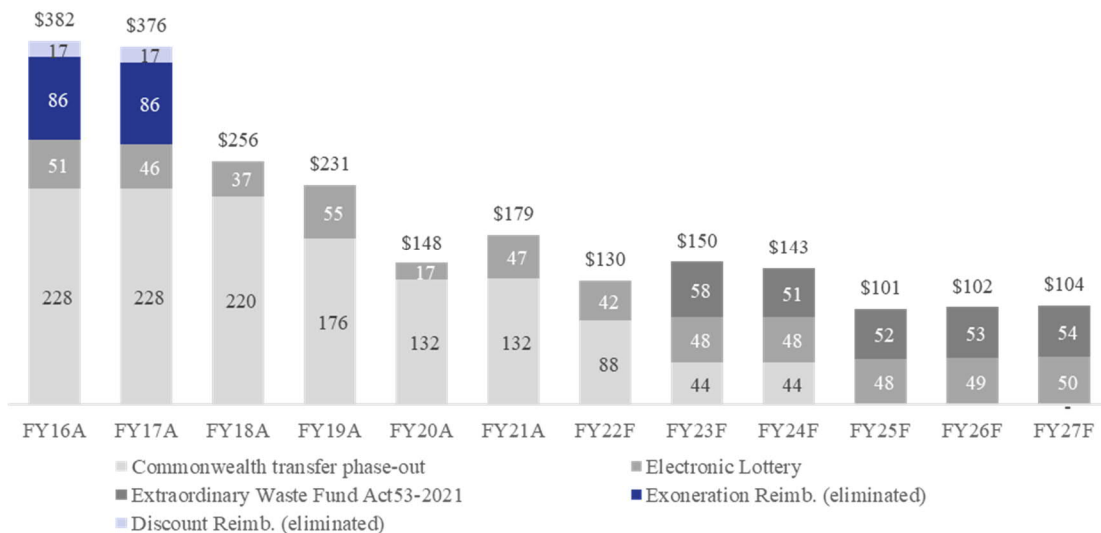
Chapter 5. Central Government Transfers

Historically, the Central Government transferred funds to CRIM through General Fund appropriations, which were then distributed to the Municipalities. These include a) Equalization Funds per Article 7.015 of the Municipal Code, and b) Exoneration Funds per Articles 7.029 and 7.031 of the Municipal Code and per Act 16-1960. Article 7.015 of the Municipal Code established a special fund known as the Equalization Fund to ensure that all municipalities receive at least the same amount of revenues as they received in the prior year from these sources. The Equalization Fund currently includes the Commonwealth transfer through FY2024 (until its elimination in FY2025), 35% of Electronic Lottery net annual income, and now will include a sub-fund to

disburse the Extraordinary Fund to fund waste and sanitization services in accordance with the approved disbursement methodologies. As part of the certified Commonwealth Fiscal Plan, most of the Central Government transfers will be eliminated. By FY2025, only the Electronic Lottery and the Extraordinary Fund will remain, as shown in **Exhibit 23**.

Exhibit 23: Historical and Projected Central Government Transfers

(Dollars in millions)



5.1. Commonwealth Transfer

Historically, the Commonwealth Transfer represented 2.5% of the net internal revenue of the Commonwealth’s General Fund. In FY2018, according to the Commonwealth Fiscal Plan, this amount was capped at \$219.7 million, and the 2021 Commonwealth Fiscal Plan gradually eliminates this transfer by FY2025. The Commonwealth Transfer was \$175.8 million in FY2019 (a 20% reduction from FY2018) and \$131.8 million in FY2020 (a 40% reduction from FY2018). For FY2021, the Commonwealth Transfer was originally projected to be \$87.9 million (a 60% reduction from FY2018) per the 2019 certified Commonwealth Fiscal Plan. However, due to the COVID-19 pandemic, and in accordance with the 2020 Commonwealth Fiscal Plan, the FY2021 Commonwealth transfer remained at \$131.8 million. The temporary deferral of the gradual phase-out of the Commonwealth Transfer provided incremental support and funding to the Municipalities during the COVID-19 pandemic. The phase-out resumed in FY2022 when the Commonwealth Transfer was reduced to \$87.9 million, and will be further reduced in FY 2023 to \$43.9 million in line with prior certified Commonwealth and CRIM Fiscal Plans.

The phase-out period allows Municipalities to implement revenue-enhancing and cost-cutting measures to offset the decline in Commonwealth transfer and achieve long-term fiscal sustainability. To achieve this, the Municipalities were to:

- Work closely with CRIM to broaden the tax base and increase property tax collections by improving compliance through the implementation of the measures in this Fiscal Plan

- Maximize grants by partnering with the private sector, non-governmental organization, and Federal programs to improve the sustainability of municipal programs and events
- Secure disaster aid and other specific economic development measures available to promote short-term recovery, as needed
- Identify new economic development opportunities that will provide the resources needed to continue providing residents with an improved quality of life
- Consolidate municipal services with neighboring municipalities to reduce costs

In addition, the Municipalities must maximize all the federal aid granted under the CARES Act and ARP Act which provides for continued funding of essential services to the people of Puerto Rico and leverage these funds to achieve long-term fiscal sustainability.

5.2. Electronic Lottery Funds

CRIM receives 35% of the net annual income from the Electronic Lottery operations to distribute to the Municipalities through the Equalization Fund. Net annual income is net of winnings and any other operating expenses. CRIM must closely monitor the level of actual Electronic Lottery proceeds throughout the year to ensure municipal advances are aligned with actual lottery receipts.

Before the beginning of every Fiscal Year, CRIM informs the Municipalities on their projected real and personal property tax collections and Equalization Fund allocation. The Municipalities use these estimated revenues to prepare their operating budgets. CRIM advances these estimated revenues as part of the monthly municipal remittances. If lottery sales are lower than projected, or winnings are higher than anticipated, as has been the case in prior years, the electronic lottery proceeds received by CRIM might be lower than originally estimated and communicated to the Municipalities. If this is the case, CRIM needs to do a mid-year adjustment to the monthly municipal remittances to reflect this lower amount to avoid over-advancing and having a liquidity issue at the agency. Any mid-year adjustment that reduces revenues negatively impacts Municipalities as they need to adjust their annual budgets, which may impact the funding of essential services.

To avoid significant mid-year adjustments from a required mid-year reconciliation, CRIM will use a lower lottery estimate than the Commonwealth Fiscal Plan in FY2023 to account for potential fluctuations in sales and winnings. By using a more conservative estimate, CRIM can mitigate the impact to municipal budgets should a reduction be required. To the extent lottery proceeds come in higher than CRIM's estimate, any incremental amount will be distributed as part of the year-end liquidation process. For FY2023, CRIM projects Electronic Lottery proceeds to be \$48 million, based on a three (3) year moving average. In comparison, the certified Commonwealth Fiscal Plan is projecting Electronic Lottery proceeds deposited into the Equalization Fund may be as high as of \$53 million.

For FY2020, Hacienda originally estimated electronic lottery proceeds to be approximately \$47.3 million. However, due to higher lottery winnings during the first half of FY2020 and the impact of the COVID-19 pandemic during the second half of FY2020, Hacienda informed CRIM on April 1, 2020, that the original estimate was amended to \$27.7 million. From July 2019 to April 2020, the monthly municipal remittances were based on the original projection of \$47.3 million. CRIM

adjusted the remittances for May 2020 and June 2020 to reflect the lower electronic lottery proceeds of \$27.7 million. Nevertheless, due to the ongoing impact that the COVID-19 pandemic had on lottery sales, electronic lottery proceeds for FY2020 totaled \$16.7 million, approximately 35% of the original estimate and 60% of the revised estimate. The shortfall from the lower lottery proceeds was reconciled and accounted for during the year-end liquidation process.

In FY2021, CRIM's Fiscal Plan originally estimated the Electronic Lottery proceeds to be approximately \$42.1 million. However, Hacienda informed CRIM in March 2021 that year-to-date lottery proceeds were coming in lower than anticipated by \$2.3 million due to higher winnings, even though lottery sales for this period were 5% higher than projected. As a result, to avoid liquidity issues, CRIM adjusted the monthly municipal remittances for the second half of FY2021 to reflect this lower estimate. This adjustment protected CRIM from over-advancing to the Municipalities to the extent electronic lottery proceeds do not recover.

In FY2022, CRIM was informed by Hacienda that proceeds from the Electronic Lottery were again going to be lower by \$20 million as a result of required cash payments for obligations under the Commonwealth Plan of Adjustment ("POA"). CRIM is in the process of performing a mid-year reconciliation in order to adjust remittances to account for the lower Electronic Lottery proceeds combined with higher-than-expected collections for some Municipalities through April 2022.

CRIM must continue to work with Hacienda to closely track electronic lottery proceeds and identify any variances. As part of this effort, CRIM must obtain from Hacienda a monthly report detailing the electronic lottery performance. This report must include year-to-date actual versus projected sales, winnings, and other disbursements that might impact net income.

5.3. Exoneration Funds

Each primary residence is exonerated from paying the tax burden for the first \$15,000 appraisal value, as established by the Municipal Code. Before FY2018, the Commonwealth reimbursed the municipalities for the exonerated portion of the property tax, including \$86 million for the exonerated basic tax and \$30 million for the exonerated CAE tax, as part of the Exoneration Fund. In addition, Act 16-1960 authorizes Hacienda to grant a discount of 0.2% of the annual basic tax over the assessed value of all real and personal property not exempted from taxes. Until FY2018, Hacienda reimbursed the discount to the Municipalities. For the fiscal year ended June 30, 2017, the discount totaled approximately \$17 million. The Exoneration Fund was eliminated in FY2018 in accordance with the certified Commonwealth Fiscal Plan.

Given the elimination of the Exoneration Fund, Municipalities must work with the Government to quantify and understand the impact of all the current exemptions and exonerations on municipal finances. The Government should consider repealing all current exemptions and exonerations that are not justifiable and negatively impact municipal finances, as discussed in more detail in **Part V: Measures**.

5.4 Extraordinary Fund for Waste

Article 401 of Act 53-2021, or the “Law to End Bankruptcy in Puerto Rico”, established the Extraordinary Fund to address the collection and disposal of residuals and waste, and to implement recycling programs in the Municipalities. As stated in Act 53-2021, the Extraordinary Fund will be placed within the Municipalities Equalization Fund provided under Article 7.015 of Law 107 - 2020, as amended, but in an account separate from other income of said fund, to be used for waste-collection and disposal-specific purposes.

This new fund was created as a way for the Government to allocate some of the savings created from the POA to Municipalities. The Extraordinary Fund will be funded annually from 42% of the amount collected during the prior fiscal year on the 1.03% State Redemption Fund Tax component to the property taxes for municipalities. As described in **Chapter 8: Other Transfers**, the State Redemption Fund tax proceeds are collected by CRIM and transferred to Hacienda on a quarterly basis pursuant to the POA.

In addition, Act 53-2021 designated CRIM to establish the distribution formula of the Extraordinary Fund for municipalities, while considering the following parameters:

1. The total number of beneficiaries of the Nutritional Assistance Program, per capita, according to the certification to that effect issued by the Department of the Family, which is determined in the immediately preceding fiscal year or in the closest fiscal year for which the information is available
2. The functional budget per capita of each municipality, for the immediately preceding fiscal year or the closest fiscal year for which the information is available
3. The appraised value of taxable property per capita located within the territorial limits of each municipality, corresponding to the immediately preceding fiscal year or to the closest fiscal year for which the information is available
4. The population of the municipality per square mile, according to the last ten-year census

The parameters above were meant to benefit smaller municipalities as well as those highly dependent on the Nutritional Assistance Program. Still, the use of these funds is only limited to collection and disposal of garbage, waste and debris, and implementation of recycling programs.

It is important to note that this appropriation may only be included in the budget for the current fiscal year if the amount of Medicaid funds that are actually received during the prior fiscal year exceeds the projected amount of Medicaid funds for that prior fiscal year, as set forth in the latest certified Commonwealth Fiscal Plan available. Refer to **Chapter 7: Advances to Municipalities** for CRIM’s proposed process to administer the Extraordinary Fund to annual subsidize waste and sanitation services for the municipalities.

Chapter 6: Other Revenues

In addition to property taxes, CRIM records other *de minimis* operating revenues, including:

- Service charges to banks

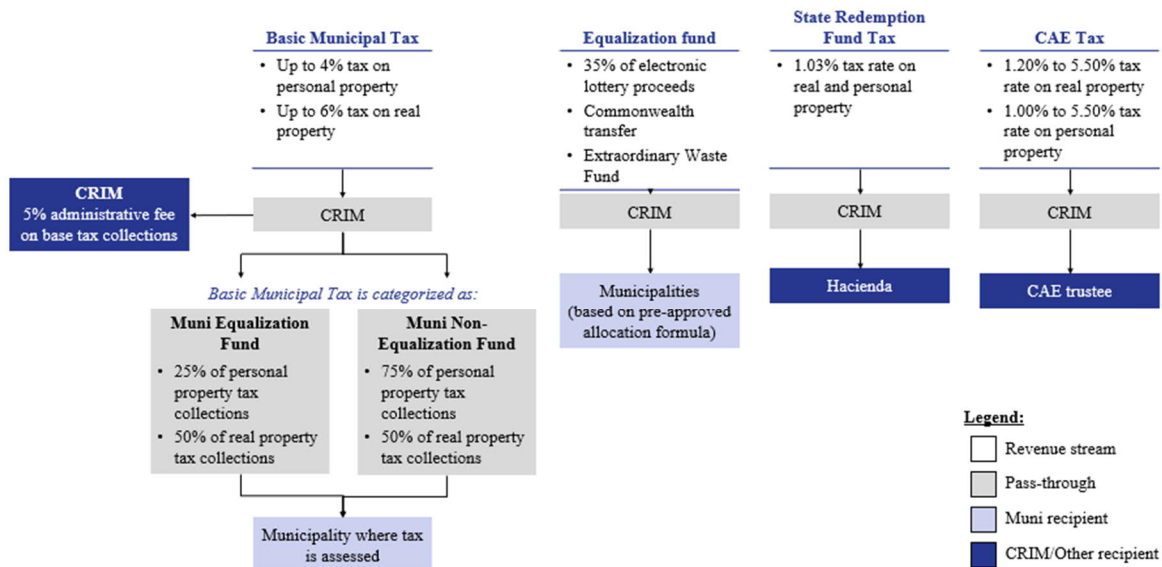
- Sales and certifications of maps. CRIM offers a variety of mapping products available to the taxpayer or agencies at a set cost
- Interest and miscellaneous income

Article 7.017 of the Municipal Code states that Hacienda must transfer 2% of the collections from Act 22-2000 fines and infractions to CRIM; however, Hacienda collects and sends these funds directly to the Municipalities. According to the CRIM management team, this is a *de minimis* amount of funds.

Part III. Uses of Funds

In addition to overseeing the collection of property taxes from individuals and businesses, CRIM manages the redistribution of such funds in three major categories: advances to municipalities, transfers of the State Redemption Fund Tax to the Central Government;¹⁵ and transfer of the CAE Tax to the trustee to pay the municipal CAE debt service. In order to support CRIM operating expenses, CRIM retains 5% of the total basic municipal tax (“CRIM Admin Fee”). **Exhibit 24** presents the uses of funds in greater detail.

Exhibit 24: Uses of Funds Overview

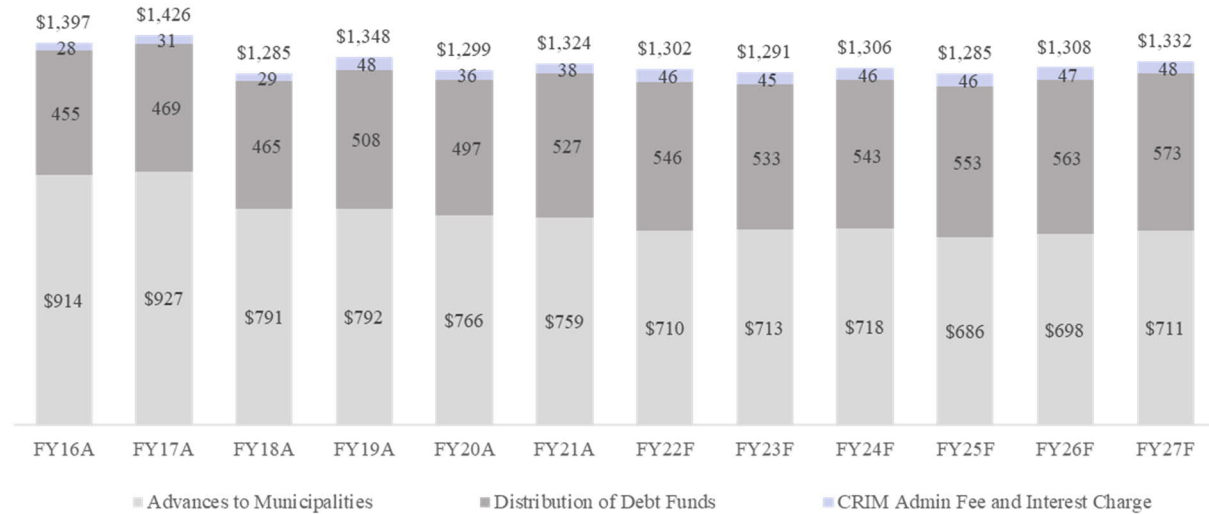


¹⁵ The taxes deposited in the State Redemption Fund have been used in the past for General Obligation (“GO”) Bond debt service. Some holders of GO bond claims and Commonwealth-guaranteed bond claims have asserted their bonds are secured by the 1.03% tax on real and personal property collected in the State Redemption Fund. The Commonwealth and the Oversight Board disagree with that position and assert the GO bonds and Commonwealth-guaranteed bonds are unsecured obligations of the Commonwealth. Nevertheless, since money is fungible, the POA provides the 1.03% tax on real and personal property collected in the State Redemption Fund would be used to pay GO bond claims recovery.

Exhibit 25 below presents CRIM's historical and projected uses of funds.

Exhibit 25: Historical and Projected Uses of Funds

(Dollars in millions)



Chapter 7. Advances to Municipalities

Municipalities are funded by the Basic Municipal Contribution and the Equalization Fund, as shown in **Exhibit 24** above. The distribution of these funds, shown in **Exhibit 25** above as “Advances to Municipalities,” totaled \$759 million in FY2021, a decrease of \$7 million or 1.0% from FY2020 as a result of the Commonwealth transfer remaining at the same level. **Appendix 13** provides the advances by municipality for FY2023, including the allocations of the Equalization Fund and Extraordinary Fund. Similarly, **Appendix 14** projects the advances to Municipalities for FY2024 to FY2027.

7.1. Basic Municipal Tax

Municipalities are funded by the Basic Municipal Tax consisting of up to 6% tax on real property and up to 4% tax on the personal property per the Municipal Code, as amended. While the Basic Municipal Tax is divided into the Municipal Non-Equalization Fund and the Municipal Equalization Fund, as shown in the flow chart on **Exhibit 24**, all collections are currently remitted to the municipality where the tax is assessed. This distinction is used internally by CRIM to allocate the Equalization Fund across the Municipalities.

- The Municipal Non-Equalization Fund distributes the basic non-exempt portion, consisting of approximately 75% of personal property tax collections and approximately 50% of real

property tax collections, directly to the respective municipality that assessed the property taxes.

- The Municipal Equalization Fund distributes the remaining 25% of personal property tax collections and 50% of real property tax collections to the respective municipality that assessed the property taxes.

7.2. Equalization Fund

Because of substantial disparities in municipalities' capacities to raise revenue, an Equalization Fund was originally established by Article 15 of Act 80-1991 and incorporated in Article 7.015 of the Municipal Code provisions to provide additional funds to municipalities with insufficient tax base to ensure a comparable level of funding year-over-year. For FY2022, the Equalization Fund is projected to be approximately 6.4% of municipal general fund budget and ranged from nearly 57% of the total general fund budget for Adjuntas to 0% for other municipalities (mostly for the large municipalities including San Juan). Additionally, spending levels vary significantly across municipalities, all of which provide key services to their citizens. For FY2022, the average per capita general fund budget for municipalities was \$622, with significant variability as indicated by a high of \$1,939 per person in Culebra to a low of \$209 in Toa Alta. See **Appendix 15** for more detail.

The purpose of the Equalization Fund is to ensure that Municipalities are subsidized with annual remittances proportional to the remittances they received in FY2017, which is used as the base year per Article 7.019 of the Municipal Code. The base year remittances are calculated as the Municipal Equalization Fund collections (approximately 25% of personal property tax collections and approximately 50% of real property tax collections) for FY2017, which amounted to approximately \$242 million, plus the Commonwealth transfer and Electronic Lottery proceeds totaled \$274 million in FY2017. Therefore, the base level used for equalization purposes is \$516 million.

The equalization deficiency is calculated as the FY2017 base year remittances minus current year Municipal Equalization Fund collections. For FY2023, Municipal Equalization Fund collections are projected to be approximately \$253 million, which leaves an equalization deficiency of approximately \$268 million.

If the Equalization Fund in any given year is not enough to fully equalize the Municipalities to the FY2017 base level, Article 7.019 of the Municipal Code allows CRIM's governing board to establish any objective criteria, as the circumstances may merit each year, to allocate the funds. Article 7.019(b) of the Municipal Code provides a list of criteria that CRIM's governing board may use as guidelines to establish the formula, such as population. However, CRIM's governing board is ultimately granted the discretion to establish any other objective criteria it deems necessary to maintain proportionality in the distribution of the Equalization Fund.

The Fiscal Plan allocates the Equalization Fund, which totals \$92.0 million for FY2023, in proportion to this deficiency. For example, if a municipality has 10% of the total equalization deficiency, that municipality would receive 10% of the Equalization Fund. However, if a municipality does not have a deficiency, meaning its current year Municipal Equalization Fund

collections are greater than the base year remittances, that municipality would not be allocated any funds from the Equalization Fund. Note that the Equalization Fund of \$92.0 million reflects the lower Electronic Lottery proceeds of \$48.0 million projected by CRIM.

Any changes to the Equalization Fund distribution formula must be agreed upon by the Oversight Board in accordance with the recently amended policy on the review of rules, regulations, and orders.

To ensure the fiscal targets in this Fiscal Plan are met, the Commonwealth Transfer must be phased out by FY2025, as shown in **Exhibit 24**, and only the Electronic Lottery proceeds will remain in the Equalization Fund. As part of the measures described in this Fiscal Plan, CRIM must continue to work with the Municipalities to increase tax collections, which will provide additional funds to help offset the reduction in the Equalization Fund. Nevertheless, the increase in property tax collections will not be shared equally among the Municipalities, as the municipalities with the highest number of properties will most likely be the ones that benefit the most. This means that many municipalities, especially those with a small tax base that have historically depended on the Equalization Fund for a large proportion of their operating revenues, may not be able to achieve comparable collections to the base year even after accounting for the impact of the measures and the allocation of the electronic lottery proceeds.

To ensure that the smaller municipalities also benefit from these measures, CRIM must work closely with the Municipalities, AAFAF, and the Oversight Board to investigate a funding strategy where the municipalities with the higher number of properties would contribute a portion of their collections to a true “equalization fund” aimed at addressing the disparity in the Municipalities’ funding, which would be disbursed to the smaller municipalities to ensure essential services are adequately funded. Any funding strategy must be agreed to by CRIM, AAFAF, and the Municipalities and must be approved by the Oversight Board before it is implemented. CRIM must submit a proposed funding strategy to the Oversight Board before the end of the second quarter of FY2022.

7.3. Extraordinary Fund for Waste

As described in **Chapter 5.4: Extraordinary Fund for Waste** per Act 53-2001, this specialty sub-fund of the Equalization Fund was created as a way for the Government to allocate some of the savings created from the POA to Municipalities. The Extraordinary Fund will be funded annually from 42% of the amount collected during the prior fiscal year on the 1.03% State Redemption Fund Tax component of the property tax to provide municipalities with additional funding for essential waste and sanitation services.

Act 53-2021 provides for the distribution in the following manner:

“In order to achieve a fair distribution of the resources of the Extraordinary Fund, the following criteria shall be used to determine the amounts to which the municipalities may have access:

(a) The total number of beneficiaries of the Nutritional Assistance Program, per capita, according to certification to that effect issued by the Department of the Family, which is determined in the immediately preceding fiscal year or in the nearest fiscal year for which information is available.

(b) The functional budget per capita of each municipality, for the immediately preceding fiscal year or the nearest fiscal year for which information is available.

(c) The assessed value of the taxable property per capita located within the territorial limits of each municipality, corresponding to the immediately preceding fiscal year or to the nearest fiscal year for which information is available.

(d) The population of the municipality per square mile, according to the last decennial census.”

For purposes of establishing a fair distribution, CRIM and its Governing Board agreed to incorporate all of the aforementioned criteria, each with a weight of 25%.

7.4. PayGo Pension Offset

Municipalities are responsible for budgeting and paying their annual PayGo fee invoiced as determined by ERS. Therefore, per this Fiscal Plan and the certified Commonwealth Fiscal Plan, each municipality must pay newly accruing PayGo obligations immediately as they come due. If Municipalities do not pay their PayGo obligations within 30 days from the date of the invoice, ERS must instruct CRIM to offset PayGo obligations from the municipality’s monthly remittance and remit these funds directly to ERS, in accordance with Act No. 106 of August 23, 2017, as amended (“Act 106-2017”). Pursuant to Article 3.5(2)(a)(iii) of Act 106-2017, CRIM must “remit within seven (7) days after [receiving] the written notice, to the New Defined Contribution Plan and/or Accumulated Pension Benefits Payment Account, the amounts of the Contributions Owed by the Municipal employer, of the unencumbered balance of the property tax and other revenues the Municipalities are entitled to receive in accordance with Act No. 80-1991.”

Outstanding PayGo obligations for the period of FY2018 through FY2021, reported by AAFAF on the public PayGo 6(a) report as of January 2022, are shown in **Appendix 17**. For those municipalities that did not establish a payment plan with ERS for any past due balance, CRIM was required to withhold remittances to fully set off the past due obligations. Similarly, any payment plan for past due PayGo obligations in default for non-payment or not in compliance with the terms of the payment plan must be fully setoff from the monthly remittances.

All Municipalities must fully pay their FY2022 PayGo obligations as they come due. Any outstanding FY2022 PayGo debt after the last billing from ERS will be automatically withheld by CRIM from the monthly remittances, as instructed by ERS. Municipalities cannot amend any existing payment plan or enter a new payment plan covering FY2021, FY2022, or any current or future year PayGo debt without the approval of the Oversight Board.

7.5. ASES Payment Offset

CRIM is responsible for remitting the Municipalities’ payment to ASES, in accordance with Act No. 72 of September 7, 1993, as amended (“Act 72-1993”). CRIM must collect and remit these funds to ASES in accordance with this Fiscal Plan and the certified Commonwealth Fiscal Plan, no later than 30 days after they become due, to ensure that ASES is adequately funded. Consistent with the nullification of Act 29-2019, the certified Commonwealth Fiscal Plan assumes that Municipalities fund their respective annual health care obligations as required by law. The certified Commonwealth Fiscal Plan includes a temporary relief for municipal ASES contributions to

reflect any additional funding made available by the Federal Government. Once these incremental funding streams expire, the certified Commonwealth Fiscal Plan assumes that the Municipalities' contributions will return to the baseline statutory levels under Act 72-1993.

The certified Commonwealth Fiscal Plan provides relief to Municipalities for incremental simple FMAP funding above the base level of 55%. The formula to be used by ASES and approved during the Commonwealth budget certification must incorporate the FMAP relief by calculating the adjusted municipal obligation:

- $\text{Statutory ASES obligation} / ((1 - 55\% \text{ FMAP}) / (1 - \text{current Fiscal Year FMAP}))$

For FY2023, the statutory municipal ASES obligation is \$163.7 million. However, the certified Commonwealth Fiscal Plan projects a higher simple FMAP of 82.2% for the first quarter through September 30, 2023, as a result of the U.S. Secretary of HHS extending the COVID-19 Public Health Emergency (“PHE”) through July 15, 2022. Pursuant to the Families First Coronavirus Relief Act (“FFCRA”) the occurrence of the PHE shall provide an additional 6.2% FMAP relief that shall be in effect through the end of the calendar quarter in which the PHE expires. Furthermore, on March 15, 2022, the U.S. Congress enacted the Consolidated Appropriations Act which increased the FMAP to 76% through December 13, 2022. Absent any further actions by the U.S. Congress or the Secretary of HHS, the FMAP will return to the base level of 55% starting on December 14, 2022. For FY2023, adjusted ASES contribution is calculated to be \$123.3 million. This relief decreases the municipal ASES obligations by approximately \$40.4 million, resulting in net municipal ASES obligations of approximately \$139.1 million, as calculated below:

- $\$163.7 \text{ million} / ((1 - 55\%) / (1 - 66.1\%)) = \123.3 million

If incremental federal funds are legislated during FY2023, ASES shall notify the Municipalities and CRIM of any adjustments to the monthly invoices and provide a reconciliation at that time to CRIM for the adjusted amounts versus the actual collections. **Appendix 19** details the municipal ASES obligations for FY2023, assuming no incremental federal aid is received.

As stated above, the U.S. Congress enacted the Consolidated Appropriations Act in March 2022, which retroactively adjusted the federal FMAP for Puerto Rico to 76.0% beginning on January 1, 2022. Shortly thereafter, the HHS extended the PHE into July 2022. This legislative change resulted in further relief to the Municipalities for their FY2022 adjusted ASES contribution. For some municipalities, the result of this retroactive change may reduce the total adjusted ASES contribution below YTD payments to ASES, resulting in a credit balance for FY2022.

7.6. Statutory and Contractual Debts Paid on Behalf of Municipalities

CRIM pays certain statutory and contractual debts on behalf of the Municipalities, which are recognized as an expense by the Municipalities. Statutory debts include, but are not limited to, CRIM Admin Fee, a 5% fee on all basic tax collections that CRIM charges the Municipalities to fund its operations, and the Government Development Bank (“GDB”) lines of credit.

7.6.1 GDB Loans and DRA Restructuring

GDB granted two loans to CRIM totaling \$271.5 million in principal: (i) loan dated June 28, 2001 (“2001 CRIM Loan”), pursuant to Act No. 42-2000, as amended; and (ii) loan dated March 18, 2002 (“2002 CRIM Loan”), pursuant to Act No. 146-2001, as amended.

The 2001 CRIM Loan amounted to \$166.5 million. This loan was used to cover advances CRIM made to municipalities based on projected tax collections that later proved to be greater than the actual tax collections. Municipalities are indebted to CRIM for the excess remittances received. Both interest and principal are payable on January 1 and July 1 of each year. CRIM withholds the corresponding funds from the municipalities’ remittances for the loan payment. For FY2023, the amount corresponding to principal payments is projected to be \$4.4 million, and the amount corresponding to interest payments is projected to be approximately \$3.9 million. The 2021 CRIM loan, which had an outstanding principal amount of \$68.3 million as of January 2021, matures on July 1, 2032.

The 2002 CRIM Loan amounted to \$105.0 million and was used to repurchase the tax liens sold to Puerto Rico Public Finance Corporation on June 30, 1998. Interest on the loan is payable on March 31 and September 30 of each year, and the principal is payable on March 31 of each year. CRIM withholds funds from the municipalities’ remittances for the payment of the loan. For FY2023, the amount corresponding to principal payment is projected to be \$2.0 million, and the amount corresponding to interest payments is projected to be approximately \$0.7 million. The 2002 CRIM Loan, which had an outstanding principal amount of \$23.4 million as of January 2021, matures on July 1, 2032.

In accordance with Section 1.3 of the Loan Agreements for the 2001 CRIM Loan and the 2002 CRIM Loan (the “Loan Agreements”), these loans must be repaid with 0.48% of the Commonwealth transfer, which historically represented 2.5% of the net internal revenue of the Commonwealth’s General Fund. The Loan Agreements state that if the 0.48% of the Commonwealth transfer is not enough to pay for the annual debt service, the payment must be made from the Municipality’s operating budget. This will be the case as the Commonwealth transfer continues to be phased out and eliminated by FY2025 per the certified Commonwealth Fiscal Plan. Therefore, it is imperative for the Municipalities to implement revenue-enhancing measures, including those in this Fiscal Plan, to strengthen their operating budgets and ensure that they can continue to pay all their statutory obligations in a fiscally sustainable manner. In addition to the repayment methods identified above, the 2002 CRIM Loan Agreement also states that any delinquent property taxes collected since the line of credit was established can be used to repay the principal.

As part of the POA, CRIM was required to negotiate settlement of the loans with DRA. As part of the negotiations, CRIM proposed to repay the 2001 and 2002 CRIM Loan through the proceeds of the CRIM tax amnesty program launched on November 5, 2021 to collect a projected \$420 million of past due property tax account receivables. As of March 31, 2022, CRIM had collected approximately \$185 million of the target. However, that amount has been earmarked to partially settle restructured obligations pursuant to the agreement in principle with the DRA regarding the payoff mechanism of these loans, which includes payment from the proceeds of the tax amnesty collection program. Approval by CRIM and AAFAF Governing Board has been obtained and

approval from the Oversight Board under Section 207 of PROMESA will be required prior to finalization.

In the event the parties reach a final agreement and obtain Oversight Board approval, the remittances to Municipalities will be revised to exclude the withholding of debt service for those Municipalities that have fully satisfied the terms of the restructuring agreement. The DRA Loan Restructuring is expected to be fully executed on or before the fiscal year end, June 30, 2022.

7.6.2 Municipal Operating Loans and Intergovernmental Payment Plans

CRIM also pays other operating loans that the Municipalities have with commercial banks or other financial institutions on behalf of the municipalities. AAFAF informs CRIM of the amount that it must retain from the monthly municipal remittances to repay these operating loans.

In addition, CRIM withholds from the monthly municipal remittances any debt resulting from over-advances of property taxes in previous fiscal years as certified in the year-end reconciliation process. The debt is collected on a two-year delay, which means that in FY2023, CRIM will collect any debt resulting from over-advancements during FY2021.

Similarly, CRIM also pays some contractual debt that municipalities have with private or public entities, including waste management services, municipal insurance policies, and amounts due to other governmental entities under payment plans subscribed by the Municipalities such as the Retirement System for Employees of the Government of Puerto Rico (“ERS”), the Puerto Rico Aqueduct and Sewer Authority (“PRASA”), and the Puerto Rico Electric Power Authority (“PREPA”). These contractual debts are also recognized as an expense by the Municipalities and paid by CRIM on their behalf. **Appendix 15** presents the schedule of withholdings by municipality for FY2023 scheduled intergovernmental payable payments paid by CRIM on behalf of the municipality from the proceeds of the monthly Basic Tax remittance.

The remaining funds, net of statutory and contractual debt, are advanced to municipalities, which are used to fund other municipal operations.

7.6.3 Act 29-2019 Nullification

The Puerto Rico Legislature passed Act No. 29 of May 17, 2019 (“Act 29-2019”), which transferred the primary obligation of municipal pension pay-as-you-go (“PayGo”) and Health Insurance Administration (“ASES” for its Spanish acronym) payments from the Municipalities to the Commonwealth. Despite the Oversight Board’s opposition, the Governor signed the measure into law on May 17, 2019. Act 29-2019 exempted the Municipalities from making healthcare payments to ASES and required that CRIM retain up to 50% of such amount in the Equalization Fund and remit the remaining 50% directly to the Municipalities. Act 29-2019 also exempted the Municipalities from paying their PayGo obligations, imposing on the Commonwealth full responsibility to fund pensions for municipal retirees. Act 29-2019 required that CRIM retain in the Equalization Fund up to 90% of the PayGo amount the Municipalities would otherwise have to pay and transfer the remaining 10% directly to the Municipalities. Through FY2020, CRIM operated under Law 29-2019 mandate despite the Oversight Board’s directive to the contrary, and retained the amounts required by Act 29-2019 to fund the Equalization Fund for FY2020. On July 3, 2019, the Oversight Board filed an adversary proceeding in the Title III court against the Governor and AAFAF seeking, among other things, a court order enjoining enforcement of Law

29-2019 and deeming it a nullity because, among other things, (1) it impaired and/or defeated the purposes of PROMESA, as determined by the Oversight Board; (2) unlawfully reprogrammed funds without prior consent from the Oversight Board as required by PROMESA; and (3) unlawfully modified the Municipalities’ debt and the Commonwealth’s debt without prior approval of the Oversight Board as required by PROMESA.

On April 15, 2020, the Title III court issued a decision granting summary judgment to the Oversight Board on several of its claims. The court issued a permanent injunction precluding the enforcement of Act 29-2019 and declared Act 29-2019 a nullity because it violated various provisions of PROMESA. The Title III court’s order became effective on May 7, 2020. As a result of the court’s order nullifying Act 29-2019, the Municipalities were required to reimburse the Commonwealth for funds received under Act 29-2019 and to cover their own employees’ health care and PayGo costs going forward. Specifically, for FY2020, the Municipalities were obligated to repay to the Commonwealth \$165.7 million in PayGo expenses and \$31.6 million in health care costs.

Following the Title III court’s April 15, 2020 order, the Oversight Board, the Government, and CRIM agreed that the combined amount due, \$197.3 million, would be partially offset by the Commonwealth transfer of \$131.8 million that was transferred to CRIM in accordance with the certified 2020 Commonwealth Fiscal Plan and certified FY2021 Budget. Under Act 29-2019, CRIM retained these funds and did not use them as part of the Equalization Fund for FY2020, as required by the certified Commonwealth Fiscal Plan. CRIM transferred \$131.8 million to ASES and ERS to partially repay the FY2020 PayGo and health care debt. Credit for the \$131.8 million repayment was allocated proportionally to the Municipalities based on their projected FY2020 PayGo and health care debt.

The Municipalities had to repay the remaining \$65.5 million balance according to the repayment waterfall in **Exhibit 26**. The repayment waterfall focused on identifying incremental revenues that municipalities had not considered in their FY2020 or FY2021 budgets. Therefore, the financial impact on municipalities was minimized, as debt repayment is primarily through unbudgeted revenues.

Exhibit 26: Act 29-2019 Repayment Waterfall

Repayment waterfall	Description
Step 1 – Offset outstanding obligation against electronic lottery funds true-up	<ul style="list-style-type: none"> CRIM identified \$17.6 million of Electronic Lottery proceeds from FY2016 and FY2017 previously not remitted to CRIM as required by Law
Step 2 – Offset outstanding obligation against excess CAE tax rebate	<ul style="list-style-type: none"> If tax collections exceed the amount needed to cover annual debt service on CAE loans, municipalities receive this excess at the end of the year
Step 3 – Offset outstanding obligation against the final FY20 liquidation	<ul style="list-style-type: none"> CRIM projects annual municipal advances at the beginning of each fiscal year and remits funds based on monthly projections After the fiscal year ends, CRIM reconciles actual collections to remittances and liquidates any excess to the corresponding municipality

<p>Step 4 – Offset outstanding obligation against the collection of aged Accounts Receivable (“A/R”)</p>	<ul style="list-style-type: none"> • CRIM will value and plan to monetize its portfolio of the A/R by the end of FY2021. This is projected to result in up to \$400 million in proceeds
<p>Step 5 – Offset outstanding obligation against municipal advances</p>	<ul style="list-style-type: none"> • If FY2020 PayGo and health care obligations are not fully repaid after Steps 1, 2, 3, and 4, CRIM must offset the FY2022 municipality’s monthly advances until the remaining obligation is repaid in full

Since the beginning of FY2021, CRIM, AAFAF, and the Municipalities have been working closely with the Oversight Board to implement the repayment waterfall and pay any outstanding FY2020 PayGo and FY2020 health care obligations. Funds were prioritized to pay PayGo debt first before paying health care debt in full during FY2022. **Appendix 16** illustrates how the different payment sources were allocated by municipality in accordance with the Act 29-2019 waterfall and further detailed in the 2021 CRIM Fiscal Plan.

As of March 2022, the full amount of the Act 29 debt has been paid off by the Municipalities.

7.6.4 La Liga Lawsuit

On March 14, 2020, an organization comprised of mayors known as “La Liga de Ciudades de Puerto Rico” (“La Liga”) filed a lawsuit against the Oversight Board, AAFAF, CRIM, ASES, and the Administrator of ERS relating to the nullification of Act 29-2019 and the repayment of FY2020 municipal PayGo and ASES obligations. La Liga asked the Court, among other things, to enter a declaratory judgment that the debts claimed by CRIM, ASES, and ERS (based on the Oversight Board’s application of Judge Swain’s ruling) are nonexistent and CRIM’s withholding of funds to cover these alleged debts is illegal.

On May 14, 2021, the Oversight Board, CRIM, AAFAF, ASES and ERS filed motions to dismiss La Liga’s claims.

On January 4, 2022, Judge Swain granted the defendants’ motions to dismiss and the lawsuit against the Oversight Board and CRIM was dismissed with prejudice, and against the remaining parties for lack of subject matter jurisdiction. La Liga has filed an appeal of the decision with the U.S. Court of Appeals for the First Circuit, which is pending.

7.7 Mid-Year and Year-end Liquidation

CRIM completes a year-end reconciliation process after the end of each fiscal year to reconcile property tax advances to the Municipalities, which are based on projections, with actual tax collections. To the extent a municipality has higher collections than what has been advanced, CRIM transfers the excess amount to the corresponding municipality. On the other hand, if collections are lower than what has been advanced, municipalities would have an account payable to CRIM repayable from property tax advances from the subsequent fiscal year. Per the Municipal Code, the year-end liquidation must be completed before December 31st, within six (6) months of the end of the fiscal year.

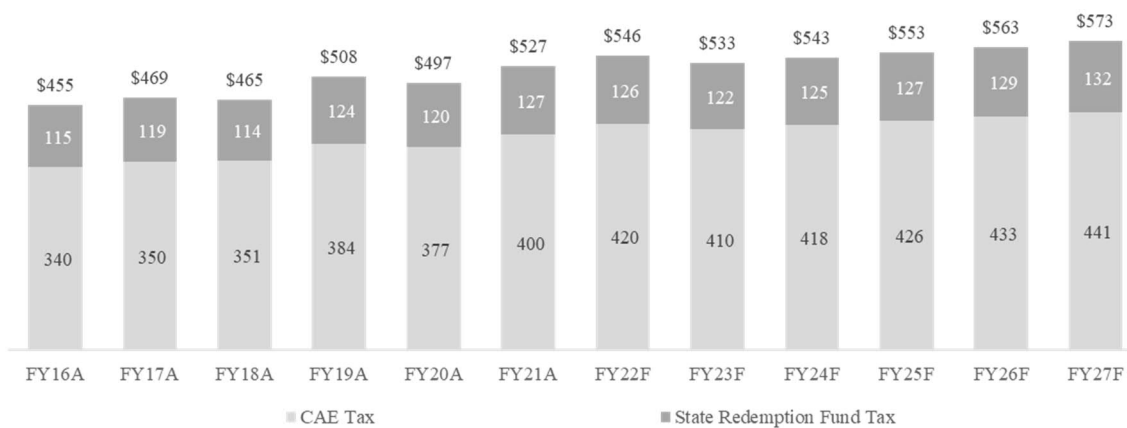
The advances to Municipalities for FY2023 do not include the projected incremental tax collection from the implementation of measures. Any incremental revenue will be distributed to the Municipalities as part of the year-end liquidation. However, to the extent that the milestones in this fiscal plan are achieved early, and collections are coming in higher than anticipated, CRIM may consider utilizing mid-year liquidations to reconcile collections and Electronic Lottery proceeds at the beginning of the third quarter of the fiscal year. Before this mid-year liquidation, CRIM must analyze the property tax collections for the first half of the year to identify which municipalities have collected more than originally projected. For those municipalities that have a variance greater than 10%, CRIM may remit up to 80% of the incremental year-to-date collections as part of the mid-year liquidation. The mid-year liquidation analysis must be reviewed and approved by the Oversight Board before remitting the funds.

Chapter 8. Other Transfers

Along with the Basic Municipal Contributions, CRIM collects taxes related to CAE and the State Redemption Fund, which are transferred to the CAE trustee and Hacienda, respectively.

Exhibit 27: Historical and Projected Transfers to Debt Funds

(Dollars in millions)



8.1. Special Additional Tax (“CAE tax”)

CRIM collects CAE tax, which, as provided by Article 7.284 of the Municipal Code, may be imposed by a municipality without limitation as to rate or amount on all taxable real and personal property. Under Article 7.284 of the Municipal Code, each municipality is required to levy the CAE tax rate in such amounts as required to pay all of its outstanding CAE Loans. CAE tax rates vary between 1.0% and 5.5% on personal property and 1.2% to 5.5% on real property. In 56 out of the 78 municipalities, the CAE tax rate is the same for real and personal property. In 18 jurisdictions, the CAE tax rate is lower on personal property than on real property. In the remaining four (4) municipalities, the CAE tax rate is higher on personal property than on real property.

CAE tax collections are required by law to be deposited in the CAE Redemption Fund and used to pay CAE Loans. To the extent a municipality’s funds in the CAE Redemption Fund exceed the

amount needed to cover 12 months debt service on CAE Loans, as determined by AAFAF, the Municipal Code requires the disbursement of such excess to the municipality, after the payment of any statutory debts of the municipality, including debts with CRIM or any government entity or public corporation. Such excess is generally referred to as “Excess CAE.”

AAFAF requires the Municipalities to obtain certifications demonstrating that they have no outstanding obligations with other government agencies; however, AAFAF allows Municipalities to enter into payment plans with other government agencies for past due amounts in order to qualify for the Excess CAE. If Municipalities have outstanding obligations (i.e., PayGo, PRASA, Hacienda), the Excess CAE tax must be used to repay these obligations. To the extent Municipalities have outstanding obligations with different agencies and the excess CAE tax is not enough to repay them in full, the Municipalities must direct CRIM which obligation(s) to pay with these funds. However, at all times any past due PayGo and ASES debt must be prioritized per this Fiscal Plan. Municipalities will not receive any excess CAE tax until any PayGo and ASES debts are paid and all other outstanding statutory obligations are paid with payment plans in good standing.

In November 2015, CRIM and GDB executed a deed of trust for the CAE Redemption Fund, under which the CAE Redemption Fund was divided into two separate sub-funds, one of which would be invested in deposits at GDB and used for the payment of CAE Loans held by GDB; the other would be invested in certain qualified instruments and used for the payment of CAE Loans held by private banks and the Municipal Finance Authority (“MFA”) (the “Private Sub-Fund”). The Private Sub-Fund is invested in deposits at a local bank.

In April 2016, upon the imposition of restrictions on the withdrawal of funds on deposit at GDB, no additional CAE revenues were transferred to GDB. Thereafter, all CAE revenues have been deposited by CRIM at a local bank and kept in two accounts: (i) in the Private Sub-Fund, an amount based on the debt service on the CAE Loans held by private banks and MFA and (ii) in a separate account, an amount based on the debt service payable on CAE Loans held by GDB.

At the GDB restructuring approval, GDB (i) adjusted loan balances by undisbursed deposits consisting of municipal loan proceeds applied against corresponding loans, (ii) adjusted municipal loan balances by all remaining municipal deposits applied against corresponding loan types, and (iii) provided the accelerated application of non-municipal public entity deposits to non-performing loans of such entities where applicable and pursuant to the GDB Restructuring Act.

Under the GDB Restructuring Act and the GDB restructuring, GDB paid, in cash, on or before the closing of the GDB restructuring, to each municipality that had deposit claims against GDB for excess CAE tax before January 2017 corresponding to FY2015, FY2016, and FY2017 (such Excess CAE, “2015-17 Excess CAE tax”), an amount equal to 55% of such municipality’s undisbursed 2015-17 Excess CAE tax. Any remainder excess CAE tax deposited at GDB was deemed fully discharged. For the avoidance of any doubt, 2015-17 Excess CAE tax does not include, and the GDB Restructuring Act does not address, those proceeds of the special additional tax which AAFAF has certified as surplus from the Municipal Debt Redemption Fund (as defined in the Municipal Financing Act) after January 1, 2017, pursuant to Article 20(e) of the Municipal Financing Act, corresponding to FY2017 and beyond and which are deposited in the Municipal Financing Act accounts created in financial institutions outside of GDB in the name or for the benefit of each municipality.

As shown in **Exhibit 27** above, transfers to the CAE trustee are projected to be \$399 million in FY2023.

8.2. State Redemption Fund Tax

Per Article 7.026 of the Municipal Code, CRIM collects the State Redemption Fund Tax on behalf of the Central Government alongside the other property taxes. The State Redemption Fund holds a 1.03% tax that is instituted on both real and personal property. The proceeds are collected CRIM and transferred to Hacienda.¹⁶ As shown in **Exhibit 27** above, this amount is projected to be \$128 million in FY2023.

Chapter 9. CRIM Operating Expenses

CRIM's operations are funded from the CRIM Admin Fee and other operating revenues, including sales and certification of maps, service charges to banks, interest, and other miscellaneous income. Historically, as reported in the audited financial statements, CRIM's operating expenses range from \$28 million to \$34 million. In FY2021, salaries and fringe benefits represent approximately 68% of total operating expenses. Other non-payroll operating expenses consist primarily of rent, professional and consulting services, utilities, and repairs and maintenance, as represented in **Exhibit 28**. Note that CRIM does not have any outstanding debt, nor does it have a separate capital expenditure budget.

Exhibit 28: CRIM Historical Operating Expenses

(Dollars in millions)

¹⁶ The taxes deposited in the State Redemption Fund have been used in the past for GO Bond debt service. Some holders of GO bond claims and Commonwealth-guaranteed bond claims have asserted their bonds are secured by the 1.03% tax on real and personal property collected in the State Redemption Fund. However, the Commonwealth and the Oversight Board disagree with that position and assert that the 2012 and 2014 GO bonds and Commonwealth-guaranteed bonds are unsecured obligations of the Commonwealth and have challenged the legality of the same in court. Nevertheless, as part of the joint POA, the Oversight Board and the Commonwealth have desisted from challenging the legality of those GO bonds and Commonwealth-guaranteed bond and provide that the 1.03% tax on real and personal property collected in the State Redemption Fund would be used to pay GO bond claims recovery.



Chapter 10. CRIM Flow of Funds

Property taxes are collected by (a) bank services, (b) CRIM’s central and regional offices, (c) municipalities that have collaborative agreements with the agency, and (d) other collection efforts, including foreclosures. Bank services include payments made through the online portal, wire transfers, or call center, as well as other payments made by financial institutions on behalf of the taxpayer. During the first quarter of FY2021, approximately 80% of all tax payments were made through bank services, with online portal payments and wire transfers representing approximately 70% of payments. Payments made through CRIM’s call center continue to increase each fiscal year. As a result, in-person payments made at the central or regional offices, which historically represented approximately 20% of all payments made during the first quarter of FY2021, were approximately 20% lower than the same period last fiscal year. Payments made through Municipalities represented less than 5% of total payments during this period.

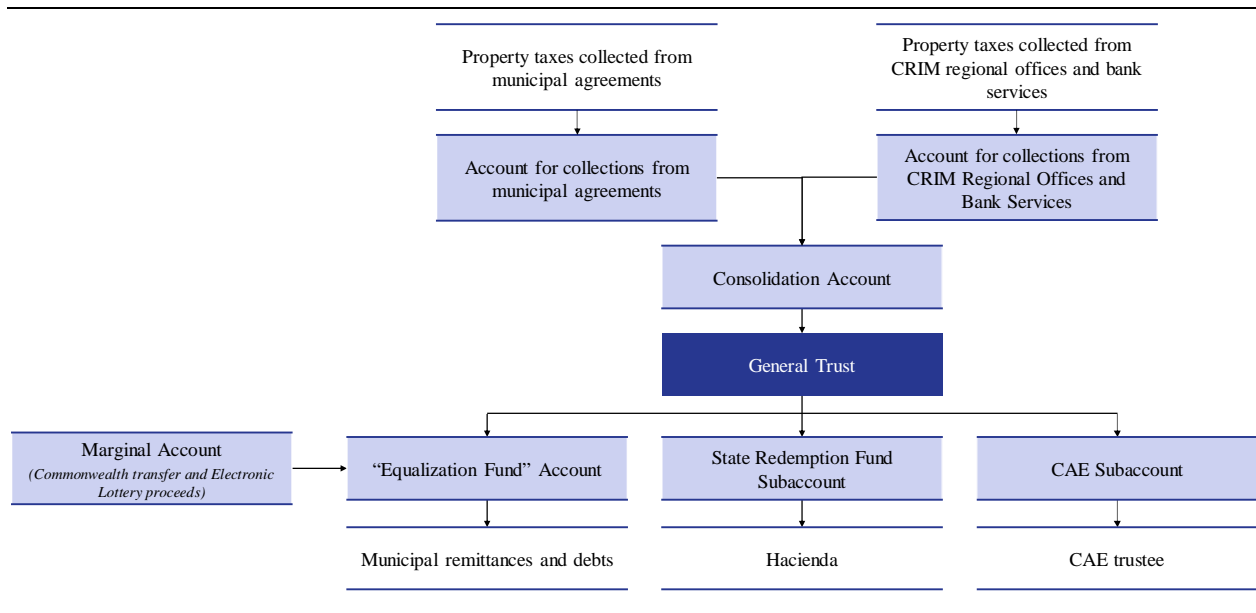
These tax collections are deposited in two bank accounts at a local banking institution, depending on how the taxes were collected. Taxes collected by the Municipalities that have collaborative agreements with the agency are deposited into one account, while all other collections, including taxes collected from bank services and CRIM’s central and regional offices, are deposited in the second account. The bank consolidates the funds from the two accounts in an intermediary pass-through account and transfers the full amount to a General Trust account. The General Trust account is an account under the trust established by AAFAF, as trustee, and CRIM, as settlor, pursuant to the terms of Deed No. 58 of Amendment and Restatement of Trust executed on November 29, 2018.

The General Trust account holds CAE tax, State Redemption Fund tax, and basic tax collection. Before the beginning of the Fiscal Year, CRIM, as settlor, and AAFAF, as trustee of the General Fund, inform the bank, the custodian of the account, how the funds will be distributed (i.e., 53% basic tax, 11% State Redemption tax, 36% CAE tax). The bank then distributes the funds according to the calculated distribution percentages into the corresponding account. CAE tax collections are deposited into the CAE tax subaccount at the end of the month, and State Redemption taxes are deposited into the State Redemption Fund subaccount on a quarterly basis pursuant to the Commonwealth POA. CRIM must deposit the State Redemption taxes into the corresponding sub-

account no less than once per quarter in order to comply with the Title III court. As per the Deed of Trust, CRIM requires trustee authorization for any transaction of funds in the Trust, which ensures that tax collections are not diverted from their original statutory use.

Basic tax collections are transferred from the General Trust account to the “Equalization Fund” account daily. CRIM completes a year-end reconciliation to ensure that each fund receives its corresponding amounts based on actual property tax collections. The Equalization Fund account also receives funds from Hacienda from a marginal account, including the Commonwealth transfer, the Electronic Lottery proceeds, and beginning in FY2023 the Act 53-2021 Extraordinary Fund. **Exhibit 29** illustrates the current flow of funds.

Exhibit 29: Flow of Funds Overview



Historically, CRIM has experienced issues with the Municipalities not depositing the property tax payments promptly. Some municipalities wait until they have accumulated a reasonable number of payments before making the deposit. To ensure that all property tax payments are deposited promptly, CRIM must establish a policy with the Municipalities detailing a clear timeline of when the Municipalities must deposit all property tax collections. The policy should require that the deposit of any property tax collection by the Municipalities be made no later than five (5) business days after its receipt. This policy must also detail all the information and data that the Municipalities must submit to CRIM for corroboration and payment validation. CRIM indicated that the Municipalities often send CRIM incomplete or incorrect cadaster numbers when submitting payment information. As a result, CRIM may not be able to post the payment promptly as it must conduct additional due diligence to validate to which property the payment belongs. To help mitigate this issue, CRIM must ensure that all the Municipalities have access to its new billing system, “CRIM 360.” This will allow the Municipalities that are collecting property taxes on behalf of CRIM to validate the cadaster number virtually before accepting any payments and will help improve the accuracy of the data being submitted by the Municipalities. CRIM has indicated

that it expects the roll-out of the new systems, including CRIM 360, will facilitate and expedite the validation and reconciliation of payments deposited by the Municipalities.

In addition to the accounts described above, CRIM also has 13 other active bank accounts used to collect operating revenues, pay for operating expenses (including payroll), and pay debts on behalf of the Municipalities. To increase transparency, CRIM must provide the Oversight Board with quarterly reports on all its bank accounts' balances. CRIM must notify the Oversight Board of any account closing or opening and provide all the necessary documentation relating to restrictions on that new account, if any, and the sources and uses of funds.

Part IV. Fiscal Plan Baseline Forecast

Chapter 11. Methodologies and Assumptions

Generally, property taxes are not significantly correlated with the underlying economic trends of the Commonwealth.

For FY2023, CRIM is projecting \$1,141 million in total property taxes with \$605 million based on applying the FY2021 collection rates to the updated tax roll, taking into account any new properties that have been added since June 2021. Additionally, CRIM projects that approximately \$102 million of real property tax collections will come from the payment of past due debt taxes, which they have adjusted down to reflect the impact of the Tax Relief Program. The remaining \$438 million is projected from personal property tax filings. For the remainder of the forecasted period, both real and personal property taxes are projected using demographic and economic variables at the municipality level, based on expected additional revenues generated from properties added to the tax roll.

Additional assumptions relied upon in the Fiscal Plan are further detailed in **Exhibits 30 and 31**. The resulting forecasts are presented in **Exhibits 32 and 33**. The Fiscal Plan targets include measures that are incremental to these baseline projections. These measures are further discussed in **Part V: Measures**.

Exhibit 30: Detailed Assumptions Excluding CRIM Operating Revenues

Line Item	Assumption
Sources	
Central Government Transfers	<ul style="list-style-type: none"> Commonwealth transfer – base of \$220m per year declining in line with certified Commonwealth Fiscal Plan reduction of municipal subsidy, phased out by FY2025 Electronic Lottery - \$48.0 million in FY2022, grown annually at nominal GNP growth rate Act 53-2021 Extraordinary Fund - \$57.9 million and appropriated by the CW based on 42% of the prior year's collection of 1.03% taxes
Uses	

Line Item	Assumption
Advances to Municipalities	<ul style="list-style-type: none"> Residual revenues once all other expenses have been disbursed
State Redemption Fund	<ul style="list-style-type: none"> Pass through portion of property tax collections based on State Redemption Fund tax rate
CAE Fund	<ul style="list-style-type: none"> Pass through portion of property tax collections based on CAE tax rate
Net Interest Expense	<ul style="list-style-type: none"> Forecasted at \$4 million per year based on a historical run rate. CRIM pays interest on behalf of the Municipalities
Adjustments	<ul style="list-style-type: none"> Forecasted based on forecasted debt services of GDB loans
CRIM Property Tax Admin Fee	<ul style="list-style-type: none"> 5% of basic municipal contributions

Exhibit 31: CRIM Operating Revenues Detailed Assumptions

Line Item	Assumption
Inflows	
CRIM Property Tax Admin Fee	<ul style="list-style-type: none"> 5% of basic municipal contributions
Sales of Certifications and Maps	<ul style="list-style-type: none"> FY2023 projection is based on historical run rate, grown annually at nominal GNP growth rate
Service Charges to Banks	<ul style="list-style-type: none"> FY2023 projection is based on historical run rate, grown annually at nominal GNP growth rate
Interest and Miscellaneous Income	<ul style="list-style-type: none"> FY2023 projection is based on historical run rate, grown annually at nominal GNP growth rate
Rental Income	<ul style="list-style-type: none"> Based on actual existing contracts
Federal Grants	<ul style="list-style-type: none"> No federal grants are assumed during the forecast period

Exhibit 32: Baseline Forecast Excluding CRIM Operations

(\$ in thousands)

	Forecast				
	FY2023	FY2024	FY2025	FY2026	FY2027
Revenues:					
Real Property Taxes	707	720	734	747	760
Personal Property Taxes	434	442	451	459	468
Central Government Transfers	150	143	101	102	104
Total Revenues	\$1,291	\$1,306	\$1,285	\$1,308	\$1,332
Expenses:					
Advances to Municipalities	(713)	(718)	(686)	(698)	(711)
State Redemption Fund	(122)	(125)	(127)	(129)	(132)
CAE Fund	(410)	(418)	(426)	(433)	(441)
Net Interest Expense	(4)	(4)	(4)	(4)	(4)
Adjustments	(11)	(11)	(11)	(11)	(11)
CRIM Property Taxes Administrative Fees	(30)	(31)	(32)	(32)	(33)
Total Expenses	(\$1,291)	(\$1,306)	(\$1,285)	(\$1,308)	(\$1,332)

Exhibit 33: Baseline CRIM Operations Forecast

(\$ in thousands)

	Forecast				
	FY2023	FY2024	FY2025	FY2026	FY2027
Operating Revenues:					
Property taxes administrative fees	31,825	32,401	32,977	33,553	34,128
Sales of certifications and maps	807	670	670	670	670
Service charges to banks	1,071	950	950	950	950
Interest and miscellaneous income	7	10	10	10	10
Rental Income	63	-	-	-	-
Federal Grants	-	-	-	-	-
Total Revenues	\$33,773	\$34,031	\$34,607	\$35,183	\$35,758
Operating Expenses:					
Regular salary	(14,751)	(14,751)	(14,751)	(14,751)	(14,751)
Additional personnel salary	(1,787)	(1,787)	(1,787)	(1,787)	(1,787)
PayGo	(5,055)	(5,055)	(5,055)	(5,055)	(5,055)
Healthcare contribution	(1,270)	(1,270)	(1,270)	(1,270)	(1,270)
Other employer contribution	(1,644)	(1,644)	(1,644)	(1,644)	(1,644)
Christmas bonus	(270)	(270)	(270)	(270)	(270)
Non-payroll operating expenses	(8,996)	(9,254)	(9,830)	(10,406)	(10,981)
Total Expenses	(\$33,773)	(\$34,031)	(\$34,607)	(\$35,183)	(\$35,758)

Part V. Measures

In June 2019, CRIM assessed its current operations to identify improvement initiatives to maximize collection rates and compliance. Additional agency efficiency measures will be adopted to be compliant with the certified Commonwealth Fiscal Plan. The adoption and successful implementation of these measures, summarized in **Exhibit 34** and detailed in the following pages, are instrumental in achieving the targets outlined in this Fiscal Plan, which are incremental to the baseline forecast.

Exhibit 34: Fiscal Plan Measures Forecast

(\$ in thousands)

	Forecast					
	FY2022E	FY2023	FY2024	FY2025	FY2026	FY2027
Measures:						
Self-collection of A/R*	195	-	-	-	-	-
Incorrect mailing addresses	44	44	89	89	89	89
Properties new to the tax rolls	-	-	27	54	107	107
Current year real property tax collection rates	-	18	35	53	70	70
Home improvements new to the tax rolls	-	-	14	42	56	56
Non-appraised properties	-	-	3	6	6	6
Swimming pools new to the tax rolls	-	-	1	2	2	2
Total Revenues	\$239	\$62	\$169	\$245	\$331	\$331

Collections are a function of the size of the tax base and the subsequent collection rate. The measures CRIM identified focus primarily on increasing the size of the tax base either by appraising backlogged properties or adding new properties and home improvements to the tax rolls. Additionally, a key challenge will be the improvement of collection rates, as described in more detail below. Data sharing with the Municipalities, other government agencies, and the Oversight Board through the data warehouse should improve compliance and increase collection rates.

Chapter 12. CRIM Measures

CRIM's goal is to improve compliance to increase the collection of real property and personal property taxes to maximize the Municipalities' revenues and increase its administrative fees. The measures identified in this Fiscal Plan will increase total property tax collections, which means that CAE tax collection and State Redemption Fund tax collections will also increase if these measures are successfully implemented.

Most of the Fiscal Plan measures continue to account for a phase-in period to validate and process the virtually appraised properties and home improvements, as well as to confirm ownership and contact information before billing.

Due to the issues CRIM encountered with the implementation of multiple new ERP systems, the deadlines and milestones of the measures outlined in this Fiscal Plan have been extended. The extension of these milestones is being granted in coordination with CRIM and the Oversight Board's collaboration during FY2022 to develop remediation efforts and increase transparency on CRIM's operational initiatives during FY2023.

12.1. Accounts Receivable Portfolio

During FY2022, CRIM conducted the Tax Relief Program to self-collect a growing A/R portfolio of real property taxes. CRIM had previously taken steps over the years to monetize the portfolio through prior amnesty programs, most recently in 2014, and several unsuccessful attempts to market and sell the A/R portfolio to a third-party; however, suitable transaction terms were never reached. The previous 2020 and 2021 CRIM Fiscal Plans included milestones for CRIM to conduct a series of necessary data validations and obtain a third-party valuation to determine a suitable sale price and sale marketing plan while working to collect and monetize the past due tax payer obligations.

CRIM has informed the Oversight Board that the data validation and valuation processes remain necessary to prepare the portfolio for a sale and will serve as the basis for CRIM’s preliminary sales targets and marketing plan to sell the remaining A/R after completion of the Tax Relief Program.

Thus, upon conclusion of the Tax Relief Program and data reconciliations, CRIM must engage a third-party advisor by no later than October 31, 2022, to complete the external data validation and final valuation of the A/R portfolio. CRIM must provide the final valuation report to the CRIM Governing Board, AAFAF, and the Oversight Board along with the recommendation on sales process, including the appointment of an investment advisor to market and sell the A/R portfolio, by March 2023.

Note: The breakdown of any proceeds from the collection or monetization of the portfolio balance will be based on the current Basic tax, CAE tax, and State Redemption Fund tax; applicable tax rates established by each municipality and are listed in **Appendix 9**.

12.2. Incorrect Mailing Addresses

CRIM has identified 197,782 incorrect mailing addresses in its billing system, as detailed in **Appendix 20**. Historically, the owners of the properties with incorrect mailing addresses have not been invoiced by CRIM and have not paid their property taxes. Therefore, it is imperative CRIM finish updating the mailing addresses in the billing system to ensure all property owners receive the invoices promptly and pay their fair share of taxes, which will improve compliance and increase property tax revenue.

CRIM worked during FY2022 to complete a manual validation for the next mailing batch processed in April 2022.

As shown in **Exhibit 35**, CRIM must invoice the cumulative 100% by January 31, 2023.

Exhibit 35: Timeline for Incorrect Mailing Addresses

	FY2022				FY2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice cumulative 75%	● July 2021							
Invoice cumulative 100%					Jan. 2023			

Assuming an 80% collection rate¹⁷ and based on each account’s location and the average net taxable value in each municipality, the agency estimates a tax increase of approximately \$88.9 million a year once this measure is fully implemented. The estimated potential tax revenue is \$44.4 million for the initial 50% in FY2023, and \$88.9 million in FY2024 and each year thereafter, enabling the achievement of the fiscal targets in this Fiscal Plan and improving fiscal governance and accountability. CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is achieved. To the extent the collection rate is lower than the

¹⁷ 80% collection rate assumed in these measures is based on historical collection rates of current and prior year taxes.

projected 80%, CRIM must leverage its call center and work closely with Municipalities to follow up with delinquent taxpayers.

In addition, CRIM must also establish MOUs with other government agencies to begin sharing information to corroborate and fix the remaining mailing addresses in CRIM’s billing system and ensure all ownership and contact information in CRIM’s tax rolls are accurate. CRIM must also work with the Municipalities to validate any incorrect mailing address or ownership information that cannot be corroborated through other government agencies’ databases.

There are no incremental costs associated with this initiative, as it is currently budgeted as part of the data warehouse project. While updating billing address issues will likely generate additional revenue, not all accounts may generate property tax revenue because of exemptions, exonerations, and other factors impacting these estimates.

12.3. Properties New to the Tax Roll

Through the Planimetric Project, CRIM identified 239,525 new properties that were not registered in the tax rolls and were not being invoiced by CRIM. CRIM has identified six (6) unique scenarios for the properties new to tax rolls, as detailed in **Exhibit 36**.

Exhibit 36: Examples of Properties New to the Tax Rolls

Type	Appraised Land	Appraised Structure(s)
Land	No	-
Land and 1 Structure	No	No
Land and 1 Structure	Yes	No
Land and 1 Structure	No	Yes
Land and 2+ Structures	No	No
Land and 2+ Structures	Yes	No

CRIM has virtually appraised all the new properties and has identified ownership and contact information for these properties by leveraging the data exchange efforts with other agencies. Based on the virtual appraisals, the total estimated annual revenue for this measure is \$134.3 million. At an estimated collection rate of 80%, the incremental annual tax collection is projected to be \$107.4 million once the virtual appraisals are validated and all the new properties are invoiced. **Appendix 20** identifies the estimated incremental annual tax collection by municipality. As noted above, the billing of these new properties will happen in phases which have been delayed due to data issues and resources impacting CRIM’s the ability to validate the virtually appraised values and confirm ownership and contact information before billing.

Due to the delay in implementing the new enterprise resource planning (“ERP”) system, CRIM did not meet the revised milestones in the 2021 CRIM Fiscal Plan.

CRIM must remediate the ERP system issues during FY2023 in order to bill the cumulative 75% of new properties in FY2023. This will allow CRIM to recover from the minor delay and to achieve the targets outlined in the 2021 CRIM Fiscal Plan and this Fiscal Plan.

As shown in **Exhibit 37**, CRIM must invoice the initial 25% of new properties by March 2023, the cumulative 50% of new properties by November 2023, and the cumulative 75% of new properties by July 2024, resulting in incremental tax collections of approximately \$80.6 million in FY2022. CRIM must invoice a cumulative 100% of the new properties by FY2023. This Fiscal Plan projects incremental tax collections of approximately \$107.4 million to be finally realized in FY2026.

Exhibit 37: Timeline for New Properties

	FY2023				FY2024				FY2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%	Mar. 2023	●										
Invoice cumulative 50%				Nov. 2023	●							
Invoice cumulative 75%							July 2024	●				
Invoice cumulative 100%									Mar. 2025	●		

Collection of tax revenues from the owners of these newly identified properties will enable the achievement of the fiscal targets contained in this Fiscal Plan and improve fiscal governance by ensuring that all taxable properties are taxed. CRIM must track the monthly billings and collections for this measure to ensure an 80% collection rate is achieved. To the extent the collection rate is lower than the projected 80%, CRIM must leverage its call center and work closely with Municipalities to follow up with delinquent taxpayers.

CRIM has developed a standardized procedure and established a dedicated team to facilitate and expedite taxpayers' claims. CRIM must adequately deploy resources to expedite the resolution of taxpayers claims regarding appraised values. There are no incremental costs associated with this measure as any claims will be processed by existing personnel.

The Municipal Code establishes the requirement to levy and collect real property taxes retroactively for five (5) years from the date the assessment is complete, which will provide additional incremental revenues to those forecasted in these measures. The Municipal Code did permit taxpayers to submit a self-appraisal completed by an authorized appraiser on or before June 30, 2021, with respect to existing property with no mortgagee. Going forward, taxpayers must submit a self-appraisal within six (6) months after the acquisition of the property or its new construction for self-appraised properties, or after the retroactive billing is reduced to three (3) years. This is intended to incentivize taxpayers to appraise their new properties and home improvements promptly. Due to this provision in the Municipal Code, CRIM delayed the billing of the initial 25% of new properties to September 2021 to allow taxpayers to submit self-appraisal by the deadline established in the Municipal Code. CRIM indicated that having both initiatives occurring in parallel would have created duplicity in billing efforts, and taxpayers would have incurred unnecessary expenses in hiring an appraiser while also receiving a virtual appraisal bill.

12.4. Improving Real Property Tax Collection Rates

Historically, CRIM only collects approximately 67.7% of the current year's real property tax billings. By analyzing a set of comparable jurisdictions that experienced economic decline and/or financial distress, CRIM must target an improvement of 840 basis points (8.4%), the average of the noted five-year improvement in **Exhibit 38**.

Exhibit 38: Benchmark Current Year Collection Rate Improvement

Jurisdiction	Collection Rates		5 Year Improvement
	Recent Minimum	5 Years Later	
Detroit	68.3%	82.0%	13.7%
Cleveland	76.9%	90.2%	13.4%
St. Louis	88.2%	92.1%	3.9%
Harrisburg	83.5%	85.9%	2.5%
Toledo	86.4%	87.4%	1.0%
Philadelphia	79.5%	93.5%	14.0%
Washington D.C.	83.7%	98.5%	14.8%
Flint	65.4%	69.2%	3.8%
Average	79.0%	87.4%	8.4%
Median	81.5%	88.8%	8.6%

If this benchmark is met, collection of current year real property tax billings will improve to approximately 75.0% by the end of the forecast period, resulting in a potential \$69.0 million per year of additional collections, as shown in **Exhibit 39**, enabling the achievement of the fiscal targets contained in this Fiscal Plan. It will take Puerto Rico several years to realize the full benefit of this measure. Therefore, the benefit was ramped into the projections with an estimated total incremental revenue of \$17.6 million in FY2023, \$35.1 million in FY2024, \$52.7 million in FY2025, and \$70.2 million in FY2026 and each year after that.

Exhibit 39: Targeted Puerto Rico Current Year Collection Rate Improvement

(Dollars in millions)

Targeted Real Property Collection Rate Improvement

FY2021 Real Property Billings	\$839.2
FY2021 Real Property Current Year Collections	559.5
Collection Rate	66.7%
5 Year Comparable Improvements	8.4%
Adjusted Collection Rate	75.0%
Adjusted Collections	629.7
Incremental Tax Collection	\$70.2

Since FY2020, CRIM has been working on implementing various operational and technological initiatives to improve collection rates. The integration of the different systems will allow CRIM to have better visibility into delinquent taxpayers on a more real-time basis. CRIM must leverage its regional offices and call center to follow up with taxpayers to ensure they are paying their fair share of taxes, as required by law. In addition, CRIM must work closely with the Municipalities to enforce collections, including through embargoes and foreclosures.

CRIM has recognized the need to hire additional collectors to improve real property current year collections by 8.4%, as required by this measure. The cost of additional staff is covered through reinvestment from the agency efficiency measures noted below.

Additionally, during FY2023, CRIM must propose and implement the Default Management Office designed to assist taxpayers by negotiating forbearance and establishing payment plans before a payment default occurs. The Default Management Office must resume necessary enforcement actions permitted under law, including embargoes, tax lien sales, and public auctions of delinquent taxpayers.

As part of CRIM's efforts to implement the Default Management Office, CRIM must develop the design and scope of the office's core objectives under an approved and published set of agency policies and procedures. CRIM must prepare and deliver a copy of the approved Default Management Office policy by July 31, 2022.

12.5. Home Improvements New to the Tax Roll

Through the Planimetric Project, CRIM identified 517,824 properties that appear to have been substantially improved, but the value of these improvements was not reflected on the tax rolls. As of March 2021, CRIM has virtually appraised all the home improvements. Based on the virtual appraisals, the total estimated annual revenue for this measure is \$70.5 million. **Appendix 20** identifies the estimated value by municipality. At an estimated collection rate of 80%, the incremental annual tax collection is projected to be \$56.4 million once all the new home improvements are invoiced. As noted above, the billing of these new home improvements will happen in phases to give CRIM enough time to validate the virtually appraised values before billing.

Due to the delay in implementing the ERP system, CRIM did not meet the targets required by the 2021 CRIM Fiscal Plan. The timing of this measure has been revised to provide CRIM additional time to execute on this project.

As shown in **Exhibit 40**, CRIM must invoice the initial 25% of new home improvements by March 2023 and the cumulative 50% of new home improvements by November 2023 CRIM must invoice a cumulative 75% of the new home improvements by July 2024 and a cumulative 100% by March 2025. This Fiscal Plan projects incremental tax collections of approximately \$14.1 million in FY2024, \$42.3 million in FY2025, and \$56.4 million in FY2026 and each year after that.

Exhibit 40: Timeline for New Home Improvements

	FY2023				FY2024				FY2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%		Mar. 2023 ●										
Invoice cumulative 50%				Nov. 2023 ●								
Invoice cumulative 75%							July 2024 ●					
Invoice cumulative 100%										Mar. 2025 ●		

12.6. Non-Appraised Properties

There are currently 17,505 properties on CRIM’s tax rolls that have not been appraised. As a result, even though these properties are included on the tax rolls, they are currently not paying taxes. CRIM must appraise and tax these properties to improve CRIM’s fiscal governance and accountability and ensure CRIM meets the fiscal targets contained in this Fiscal Plan. **Appendix 20** provides municipal-level detail of the non-appraised properties.

Assuming an 80% collection rate and based on the location of these non-appraised properties and the average net taxable value in each municipality, CRIM estimates a potential \$6.2 million per year from this initiative once all properties are appraised. As shown in **Exhibit 41**, CRIM must appraise the initial 25% of the backlogged properties by December 2022. Similarly, CRIM must appraise the cumulative 50% of the backlogged properties by June 2023 and invoice and the cumulative 100% of backlogged properties by June 2024. This Fiscal Plan estimates a net tax increase of \$3.1 million in FY2024 and \$6.2million in FY2025 and thereafter.

Exhibit 41: Timeline for Non-appraised Properties

	FY2023				FY2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%	Dec. 2022 ●							
Invoice cumulative 50%		June 2023 ●						
Invoice cumulative 75%				Dec. 2023 ●				
Invoice cumulative 100%						June 2024 ●		

12.8. Swimming Pools New to the Tax Roll

Through the Planimetric Project, CRIM identified 25,951 new swimming pools that were not reflected on the tax rolls. As of March 2021, CRIM has virtually appraised all the new swimming pools. Based on the virtual appraisals, the total estimated annual revenue for this measure is \$2.6 million. **Appendix 20** provides municipal level detail of new swimming pools. At an estimated collection rate of 80%, the incremental annual tax collection is projected to be \$2.1 million once all the new pools are invoiced. As noted above, the billing of these new swimming pools will happen in phases to give CRIM enough time to validate the virtually appraised values for these new properties before billing.

Due to the delay in implementing the ERP system, CRIM did not invoice the initial 25% of new swimming pools in FY2021, as required by the 2020 CRIM Fiscal Plan. CRIM must implement all new systems by the first quarter of FY2022 and bill the cumulative 50% of new swimming pools in FY2022. This will allow CRIM to recover from the minor delay and to achieve the targets outlined in the 2021 CRIM Fiscal Plan and this Fiscal Plan.

As shown in **Exhibit 42**, CRIM must invoice the initial 25% of new swimming pools by March 2023, the cumulative 50% of new swimming pools by November 2023, and the cumulative 75% of the new swimming pools by July 2024, which will result in incremental tax collections of approximately \$1.1 million in FY2024. CRIM must invoice a cumulative 100% of the new swimming pools by March 2025. This Fiscal Plan does not project any incremental tax collections in FY2023, with approximately \$1.6 million, or 75% of collections expected in FY2025 and the total \$2.1 million run rate in FY2026 and each year thereafter.

Exhibit 42: Timeline for New Swimming Pools

	FY2023				FY2024				FY2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoice initial 25%		Mar. 2023 ●										
Invoice cumulative 50%				Nov. 2023 ●								
Invoice cumulative 75%							July 2024 ●					
Invoice cumulative 100%										Mar. 2025		

12.9. Personal Property Self-Reporting Compliance

Personal property is self-assessed by taxpayers annually, making compliance the key area of focus for improving revenue collection, as collection rates historically have been close to 100%. CRIM must continue to implement reforms to meaningfully simplify paying taxes through digitalization and work with Hacienda to address non-compliance and increase tax collections through data and analytics.

CRIM must establish a MOU with Hacienda, as allowed by the Municipal Code, to corroborate the value of the personal property self-reported to CRIM with what is reported to Hacienda by no later than the end of the first quarter FY2023. This will guarantee transparency, accountability, and fiscal governance across the government and will address potential delinquencies. CRIM already established secure communication with Hacienda to share real property information. Therefore, CRIM and Hacienda should be able to safely share personal property information as soon as this MOU is signed. At this time, it is unclear how much additional personal property taxes could be captured through this initiative, as the level of personal property delinquency is not yet known. CRIM will track personal property billings and collections and report to the Oversight Board of any delinquencies it identifies through its collaboration with Hacienda.

As of March 2022, CRIM and Hacienda have been collaborating and Hacienda has remitted over 300,000 informative filings which will enable CRIM to update its tax records.

12.10. Operational and Organizational Development Initiatives

Since the 2018 operational assessment, CRIM has been working to implement new initiatives mostly focused on integrating new systems and processes to improve its efficiency in collecting property taxes. These initiatives fall into two categories: operational improvements and organizational development.

12.10.1. Operational Improvements

Historically, some of the most critical areas that negatively affected CRIM's operations included obsolete hardware, outdated applications, and insufficient data bandwidth, resulting in inefficiencies and duplication of services. CRIM has addressed many of these issues and continues to roll out new applications to support appraisals, billings, and collections to maximize resource utilization, improve efficiencies, and increase property tax collections. The most critical systems improvements that CRIM must implement to improve fiscal accountability and transparency are detailed below:

Data Warehouse

A new data warehouse, which will serve as a central repository of information that was previously spread throughout several systems, was implemented and rolled out in FY2021. This data warehouse helps streamline the data sharing process and allows for increased data sharing with several entities, including the Municipalities, the Oversight Board, PRASA, and other governmental agencies. Through this portal, Municipalities will have access to important historical data on tax payments, delinquencies, and forecasts. Municipalities must leverage the information available in the Data Warehouse to support CRIM's efforts in improving compliance and increasing property tax collections.

Furthermore, data collaboration with other governmental entities and agencies will allow CRIM to continuously address data deficiencies that previously hindered its tax appraisal, billing, and collection efforts, including incorrect mailing addresses. CRIM must identify other government entities that they need to collaborate with on data sharing and establish MOUs to begin sharing this information safely and efficiently to improve fiscal transparency, accountability, and governance.

Billing System

CRIM's current billing system, known as HANSEN, is over 20 years old and has not been updated since 2007. CRIM is in the process of implementing and rolling out an enhanced enterprise ERP system called "CRIM 360," which will help integrate the different systems and portals used by the agency. Historically, many of these systems and portals were siloed from each other, which negatively impacted CRIM's operating efficiency and overall property tax collections. It is expected that CRIM 360 will result in more precise reporting for a more efficient decision-making process.

CRIM 360's ability to interface with the Data Warehouse will likely result in a more robust and efficient billing system that will reduce errors and omissions experienced with HANSEN. The implementation of CRIM 360 is a critical component in achieving the Fiscal Plan measures and must be fully integrated and operational by July 31, 2022, pursuant to the ERP remediation plan required by this Fiscal Plan.

Appraisal System

CRIM's appraisal system was replaced by SKALA I in October 2019, with phase two ("SKALA II") implemented during FY2022. This new appraisal system allows CRIM to achieve operational efficiencies and will allow for virtual appraisals by comparing a property's location with CRIM's database of geolocated data. Once the system is fully integrated and staff have fully adopted the system's increased capabilities, the time it takes for new appraisals should decline from days to hours without the need for a field visit. In addition to helping reduce the appraisal backlogs and ensure new appraisals are completed promptly, the adoption of virtual appraisals is expected to result in operating cost savings for CRIM from reduced travel expenses such as mileage reimbursements, meal allowance, parking and toll charges.

SKALA II should allow for a more efficient allocation of appraisal staff which further supports the need for CRIM to complete its staffing analysis and present its findings to the Governing Board. One limitation to SKALA II is that the virtual appraisals are limited to mostly residential properties, which means that most appraisals on commercial and industrial properties will need to be completed in person.

12.10.2. Organizational Development

CRIM must complete its in-depth staffing analysis to determine the current staffing redundancies, inefficiencies, and under resourced positions to identify gaps in current staffing and develop an optimal future state for CRIM's operations outlined in **Exhibit 43**. This staffing analysis will help determine the number of additional appraisers, collectors, and personnel that CRIM must hire to achieve the measures outlined in this Fiscal Plan, aiming to improve compliance and increase property tax collections.

In addition to the analysis of staffing needs, CRIM must complete a study to analyze salary and benefit packages that will allow for CRIM to hire qualified, technical employees.

Exhibit 43: Organizational Development Initiatives

Initiative	Description	Timeframe
Staffing Analysis	Finalize Human Capital Global Needs Plan to identify staffing for an optimal workforce plan and identify under resourced positions	July 31, 2022
Salary Benchmark	Complete Human Capital Benchmark Comparison to analyze salary and benefits	September 30, 2022
HR Policy	Complete analysis of current HR Resources and Manuals to identify proposed changes	October 15, 2022
Employee Performance	Complete analysis and updates of Employee Performance Evaluations process	November 15, 2022
Recommendations	Present recommendations to CRIM's Governing Board	December 15, 2022

CRIM must supplement the staffing and wage analysis by addressing employee performance. CRIM implemented a leadership academy for supervisors during FY2021 but has been delayed in implementing two other initiatives to improve CRIM's culture towards a more data and performance-driven environment, which will better align with the organization's strategy. **Exhibit 44** presents an overview of these organizational initiatives.

Exhibit 44: Organizational Development Initiatives

Areas	Initiatives	Timeframe
Management Development	Implementing a Supervisory and Leadership Academy for all employees with supervisory roles comprising eight (8) modules with varied topics	Completed
Human Capital Management	<ul style="list-style-type: none"> A. Transforming HR from a transactional approach to a strategic and people approach, where the department becomes a business partner and its efforts are focused on the employees B. Implementing a new competency-based performance evaluation method C. Synchronizing all employee evaluation cycles during October 	June 2023
Quality Unit	Create a department of Quality Unit with the responsibility of detecting and measuring service deficiencies, streamlining processes, and monitoring oversight adherence to processes	January 2023

12.12. Structural Changes to the Property Tax System

In addition to the measures identified above, which mostly focus on increasing property tax collections by improving compliance, CRIM, the Municipalities, and the Government must work together to further analyze incremental structural changes that would modernize the current property tax system and would help the Municipalities achieve long-term fiscal sustainability.

As part of the 2021 CRIM Fiscal Plan, CRIM developed and commenced a series of economic studies and data valuation to analyze the underlying structural elements of the current real property tax base by commissioning reports to evaluate the base exemptions, exemptions, property tax classification, and effective rates as shown in **Exhibit 45**.

Exhibit 45: Structural Assessment of Real Property Tax Reform

Complete the comprehensive review of current property tax exemptions and exonerations	Completed
Complete an analysis to update the current cost/summation methodology used to value real estate	June 30, 2022
Complete an analysis to revise land valuation to reflect present-day market prices	June 30, 2022
Identify the appropriate statutory and effective tax rates across the different property types to achieve the desired tax collection level	June 30, 2022
Conduct a supplemental analysis by October 31, 2022 to expand on the exemptions and exonerations report	October 31, 2022

This due diligence, once completed and analyzed by CRIM in totality, will provide the transparency required to properly analyze and assess the existing real property tax system in order to move to a market informed system. Attempts at broad based reforms without completion of the above economic studies will be unsuccessful in implementing a more fair and equitable real property tax system built on the detailed criteria outlined in **Appendix 3**.

As part of CRIM’s continued effort to support property tax system reform, CRIM plans to develop and present the observations and findings from the completed analyses to the CRIM Executive Director and Governing Board during the second quarter of 2023, which shall include CRIM’s observations and recommendations on each of the economic studies commissioned. A copy of this report shall be shared with the Governor, AAFAF, and the Oversight Board by no later than October 31, 2022.

These requirements represent a pathway to a reformed tax system with a broader and more transparent base and lower statutory tax rates as discussed in Chapter 3.4.

Given that the implementation of some of these requirements necessitate legislation, no incremental property tax projections for those measures have been included in the Fiscal Plan projections. Nevertheless, CRIM must work with the Government, the Municipalities, and all appropriate agencies to complete all required analyses to serve as the foundation for determining the next steps, including: (1) a comprehensive review of current property tax exemptions and exonerations, (2) an analysis to update the current cost/summation methodology used to value real estate, (3) an analysis to revise land valuation to reflect present-day market prices, and (4) an analysis to identify the appropriate statutory and effective tax rates across the different property types to achieve the desired tax collection level.

12.13. Comprehensive Property Tax Registry

There is an ongoing initiative by the Commonwealth to streamline property registration to facilitate financial transactions and promote disaster preparedness. Accelerating property registration will ensure that all residents and businesses can quickly and reliably document property rights, which is crucial to day-to-day business operations and post-disaster recovery efforts. As it stands, Puerto Rico’s current set of disjointed registries do not comprehensively map all land ownership, complicating Government disaster relief efforts. To empower residents and businesses to recover from future natural disasters and comply with U.S. Department of Housing and Urban Development (“HUD”) guidelines for unlocking \$8.3 billion in CDBG-MIT funds, reforms must also demonstrate meaningful progress in the creation of a uniform parcel registry that can be used to verify the ownership of properties across the Island.

As part of this initiative, CRIM must collaborate with other government agencies to form a working group to finalize the workplan to reform and streamline property registration. CRIM must ensure that the data in the Digital Cadaster is fully integrated into the comprehensive property tax registry by the end of FY2022. In addition, CRIM must update its tax roll to incorporate any new properties or updated ownership information identified by this initiative.

During the fall of 2021, CRIM initiated conversations with Vivienda to enter into a data sharing MOU. The information shared through this MOU will be used as the foundation for the uniform registry. In December 2021, CRIM received comments from Vivienda to the proposed MOU. Vivienda's proposed amendments remove much of interagency information sharing and the security measures required by CRIM to share this data. CRIM is reviewing these changes and must coordinate with Vivienda to reach an information sharing agreement by August 31, 2022.

Chapter 13. Measure Timeline and Reporting

Exhibit 46 provides a summary of the milestones, timelines, and certain assumptions as it relates to the implementation of the proposed CRIM measures, along with the estimated incremental tax revenues generated by these measures:

Exhibit 46: Action Items and Timing of Fiscal Plan Measures

Area of Focus	Description	Deadline
1. Sale of A/R	Retain experts for the valuation of the A/R portfolio	October 31, 2022
	Finalize data clean-up and validation	November 30, 2022
	Finalize A/R portfolio valuation report	February 28, 2023
	Identify buyers for the A/R portfolio	April 30, 2023
	Sell A/R portfolio	June 30, 2023
2. Incorrect Mailing Addresses	Corroborate and fix cumulative 75% of incorrect mailing addresses in the billing system	Completed

Area of Focus	Description	Deadline
	Invoice cumulative 75% of incorrect mailing addresses	Completed
	Corroborate and fix cumulative 100% of incorrect mailing addresses in the billing system	January 31, 2023
	Invoice cumulative 100% of incorrect mailing addresses (for FY2023 collections)	January 31, 2023
3. Properties new to the tax roll	Validate appraised values and confirm ownership information for the initial 25% of new properties	December 31, 2022
	Invoice initial 25% of new properties (for FY2022 collections)	March 31, 2023
	Validate appraised values and confirm ownership information for cumulative 50% of new properties	August 31, 2023
	Invoice cumulative 50% of new properties (for FY2022 collections)	November 30, 2023
	Validate appraised values and confirm ownership information for cumulative 75% of new properties	April 30, 2024
	Invoice cumulative 75% of new properties (for FY2022 collections)	July 31, 2024
	Validate appraised values and confirm ownership information for cumulative 100% of new properties	December 1, 2024
	Invoice cumulative 100% of new properties (for FY2023 collections)	March 31, 2025
4. Current year real property tax collection rates		
	Hire a cumulative 100% of additional collectors needed to assist with compliance efforts	June 30, 2023
5. Home improvements new to the tax roll	Validate appraised values for the initial 25% of new home improvements	December 31, 2022
	Invoice initial 25% of new home improvements (for FY2022 collections)	March 31, 2023
	Validate appraised values for the cumulative 50% of new home improvements	August 31, 2023
	Invoice cumulative 50% of new home improvements (for FY2022 collections)	November 30, 2023
	Validate appraised values for the cumulative 75% of new home improvements	April 30, 2024
	Invoice cumulative 75% of new home improvements (for FY2023 collections)	July 31, 2024
	Validate appraised values for the cumulative 100% of new home improvements	December 1, 2024

Area of Focus	Description	Deadline
	Invoice cumulative 100% of new home improvements (for FY2024 collections)	March 31, 2025
6. Non-appraised properties	Appraise the initial 25% of the backlogged properties	December 1, 2022
	Invoice initial 25% of backlogged properties	December 31, 2022
	Appraise the cumulative 50% of the backlogged properties	June 1, 2023
	Invoice initial 50% of backlogged properties	June 30, 2023
	Appraise the initial 75% of the backlogged properties	December 1, 2023
	Invoice initial 75% of backlogged properties	December 31, 2023
	Appraise cumulative 100% of the backlogged properties	June 1 2024
	Invoice cumulative 100% of backlogged properties	June 30, 2024
7. Swimming pools new to the tax roll	Validate appraised values for the initial 25% of new swimming pools	December 31, 2022
	Invoice initial 25% of new swimming pools	March 31, 2023
	Validate appraised values for the cumulative 50% of new swimming pools	August 31, 2023
	Invoice cumulative 50% of new swimming pools	November 30, 2023
	Validate appraised values for the cumulative 75% of new swimming pools	April 30, 2024
	Invoice cumulative 75% of new swimming pools	July 31, 2024
	Validate appraised values for the cumulative 100% of new swimming pools	December 1, 2024
	Invoice cumulative 100% of new swimming pools	March 31, 2025
8. Personal property self-reporting compliance	Establish an MOU between CRIM and Hacienda to share personal property information and begin sharing information	September 30, 2022
9. Operational and organizational development initiatives	Commence the implementation and roll-out of SKALA II, CRIM 360, and SIMA accounting platforms	Completed
	Develop ERP remediation and implementation plan to resolve the gaps in data and system integration	July 31, 2022

Area of Focus	Description	Deadline
	Complete staffing analysis to identify staffing needs	December 15, 2022
	Finalize the system implementation and integration of SKALA II, CRIM 360, and SIMA accounting platforms	January 1, 2023
	Hire the initial 25% of the additional personnel needed to assist with compliance efforts	March 31, 2023
	Complete the human capital transformation	June 30, 2023
	Implement the Quality Unit	June 30, 2023
	Hire cumulative 100% of the additional personnel needed to assist with compliance efforts	January 31, 2024
12. Structural changes to the property tax system	Complete the comprehensive review of current property tax exemptions and exonerations	Completed
	Complete an analysis to update the current cost/summation methodology used to value real estate	June 30, 2022
	Complete an analysis to revise land valuation to reflect present-day market prices	June 30, 2022
	Identify the appropriate statutory and effective tax rates across the different property types to achieve the desired tax collection level	August 31, 2022
	Develop and present a formalized report of observations and findings from the completed analyses to the CRIM Executive Director and Governing Board	October 31, 2022
13. Comprehensive property tax registry	Work with the Government to finalize workplan for reforming and streamlining property registration	August 31, 2022

Monitoring and Reporting

The fiscal and structural measures described in the Fiscal Plan represent a significant and transformative effort for CRIM and the Municipalities. There are strict reporting requirements needed to ensure these measures are being achieved on time and to identify any risks to address them at an early stage. To ensure that the fiscal targets in this Fiscal Plan are achieved, CRIM must produce monthly performance reports, which shall be submitted to the Oversight Board on the 20th of each month, demonstrating the progress made on all key measures. Progress realized must be displayed against the projections as set forth herein. **Exhibit 47** provides additional details for the reporting requirements.

Exhibit 47: Reporting Requirements

	Reporting requirements	Cadence for FOMB reporting	Reporting requirement source
Budget-to-actuals reports and other reports	A report detailing property tax collections (real vs. personal) by municipality and remittances paid	Monthly	Fiscal Plan
	A report detailing operating revenues and expenses versus projected budget	Monthly	Fiscal Plan
	Headcount and payroll, including fringe benefits expenses	Monthly	Fiscal Plan
	List of all professional services providers, as well as the estimated cost and duration for each contract	Monthly	Fiscal Plan
	A report detailing the work being done by the Municipalities as part of the Collaborative Agreements	Monthly	Fiscal Plan
	Bank account balances	Quarterly	Fiscal Plan
Measures progress reports	Sale of A/R	Monthly	Fiscal Plan
	Incorrect mailing addresses	Monthly	Fiscal Plan
	Properties new to the tax rolls	Monthly	Fiscal Plan
	Current year real property tax collection rates	Monthly	Fiscal Plan
	Home improvements new to the tax rolls	Monthly	Fiscal Plan
	FY2019 and FY2020 A/R	Monthly	Fiscal Plan
	Non-appraised properties	Monthly	Fiscal Plan
	Swimming pool new to the tax rolls	Monthly	Fiscal Plan
	Personal property self-reporting compliance	Monthly	Fiscal Plan
	Operational and organizational initiatives	Monthly	Fiscal Plan
	Agency efficiencies	Monthly	Fiscal Plan
	Structural changes to the property tax system	Monthly	Fiscal Plan
	Comprehensive property tax registry	Monthly	Fiscal Plan

Progress reports must include: (a) monthly monitoring by each key performance indicator for each of the measures; (b) monthly self-reported realized revenues achieved year to date for each of the measures; and (c) implementation dashboard/tracker that provides the status of each measure. If, after any fiscal quarter, the projected progress for any measure is not realized, the Oversight Board may use any of its powers to correct the corresponding shortfall.

Part VI. Forecast with Measures

Targets outlined in this Fiscal Plan are incremental to any baseline projections. The targets include improved collections and cost-savings achieved by the successful implementation of the Fiscal Plan measures. As identified in **Exhibit 48 and 49**, the measures' impact results in an estimated revenue increase of 7.4% to 58.2% from the base case for the projected period. These funds will be redistributed to municipalities according to the applicable law.

Exhibit 48: Projected Property Tax Baseline and Measures

(\$ in millions)

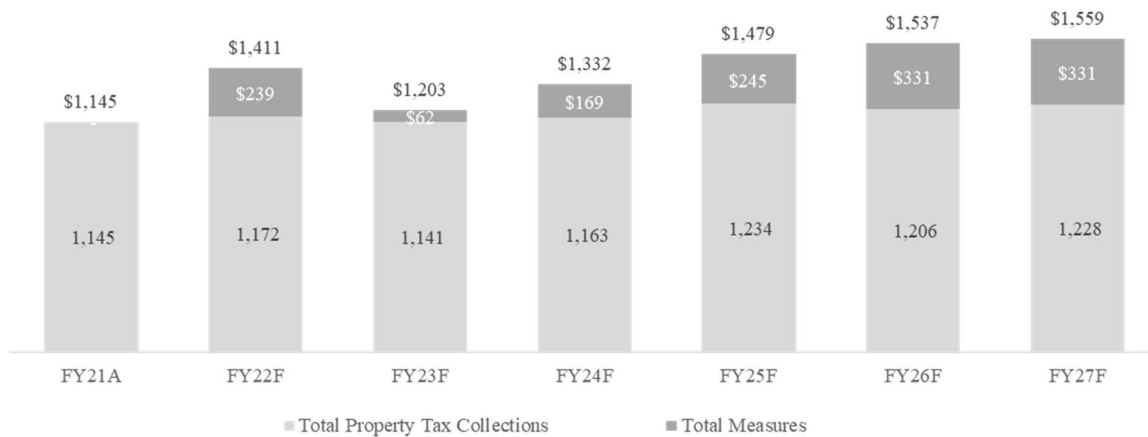


Exhibit 49: Projected Property Tax Baseline and Measures Breakdown

(\$ in millions)

	Forecast					
	FY2022E	FY2023	FY2024	FY2025	FY2026	FY2027
Baseline Property Taxes	\$ 1,171.8	\$ 1,141.3	\$ 1,162.9	\$ 1,184.5	\$ 1,206.1	\$ 1,227.7
Measures:						
Self-collection of A/R*	195.0	-	-	-	-	-
Incorrect mailing addresses	44.4	44.4	88.9	88.9	88.9	88.9
Properties new to the tax rolls	-	-	26.9	53.7	107.4	107.4
Current year real property tax collection rates	-	17.6	35.1	52.7	70.2	70.2
Home improvements new to the tax rolls	-	-	14.1	42.3	56.4	56.4
Non-appraised properties	-	-	3.1	6.2	6.2	6.2
Swimming pools new to the tax rolls	-	-	1.1	1.6	2.1	2.1
Measures:	239.4	62.0	169.2	245.4	331.2	331.2
Total Revenues	\$1,411.2	\$1,203.3	\$1,332.1	\$1,429.9	\$1,537.3	\$1,558.9

As mentioned above, the increase in property tax collections due to the measures will not be shared equally among the municipalities, as the municipalities with the highest number of properties will most likely be the ones that benefit the most. To ensure that the smaller municipalities also benefit from these measures and adequate funding is provided to essential services, CRIM must work closely with the municipalities, AAFAF, and the Oversight Board to investigate a funding strategy where the municipalities with the higher number of properties would contribute a portion of their collections to the Equalization Fund, which would be disbursed to the smaller municipalities. CRIM must submit a proposed funding strategy to the Oversight Board before the end of the second quarter of FY2022.

Part VII. Appendix

Appendix 1: Commonwealth Support to Incentivize Municipal Service Consolidation

To further incentivize service consolidation, the 2020 Commonwealth Fiscal Plan established funds to assist the Municipalities to achieve fiscal sustainability. By consolidating services, Municipalities will be able to significantly reduce costs and generate additional revenues through economic development and other potential initiatives. Municipalities that voluntarily consolidate services will be eligible to receive a one-time financial incentive upon certification of such action by the Oversight Board. To fund this initiative, the 2020 Commonwealth Fiscal Plan initially set aside \$22 million in each fiscal year through FY2025 for distribution among Municipalities that complete service consolidations. The amount distributed to each participating municipality will be determined in coordination between AAFAF and the Oversight Board and is dependent on the savings or revenue generation achieved. The fund is expected to commence under AAFAF in the fourth quarter of FY2021. FY2021 funding not disbursed is authorized to rollover to FY2022. The annual funding commitment will be reviewed each year through FY2023 based on municipal participation in the fund. The 2020 Commonwealth Fiscal Plan otherwise maintained the overall approach of phasing-out the entirety of Commonwealth transfer, which will reach zero by FY2025 which furthers the imperative for municipalities to seek operational efficiencies and cost savings.

Appendix 2: Local and Federal Disaster Recovery Aid Provided to Municipalities

Impact of Natural Disasters

Over the last several years, Puerto Rico has experienced various natural disasters, some of which have impacted property tax collections. In FY2018, Hurricanes Maria and Irma inflicted unprecedented damage on the physical infrastructure of Puerto Rico, leaving large segments of the population without power for weeks and, in many cases, months. Thousands died, many of the deaths due not to the direct effects of the storm but rather its aftereffects. There was widespread economic dislocation in the aftermath as the scale of the damage became evident. Impact on the housing stock, power and water infrastructure, and inland transportation infrastructure created extremely challenging conditions for residents. The small business sector was also badly damaged as inventories were destroyed, and the economy suffered an abrupt negative shock. As a result, property tax collections were lower by approximately 2.0% or \$20.9 million (\$19.5 million in personal property taxes and \$1.4 million in real property taxes) in FY2018 compared to FY2017. Nevertheless, 63 municipalities still had higher collections compared to what was estimated by CRIM in FY2018.

The Federal Government has supported post-hurricane reconstruction in the Municipalities primarily through the Federal Emergency Management Agency's ("FEMA") Permanent Work (Categories C-G) Projects and Community Disaster Loans ("CDLs"). Permanent Work Project categories C-G are considered either large or small, based on a Federal Government threshold. The threshold for Hurricane reconstruction is \$123,100. For small projects, funding is based on the cost estimate at the time of project approval, and certification of project completion is required when the project is done. Unlike large projects where the applicant completes the project and is later reimbursed for the project's costs, small projects are paid out upon obligation. Given the liquidity issues facing many of the Municipalities, the Government made the obligation of small projects a priority in the island's recovery. As of April 20, 2022, 7,284 permanent work projects have been obligated to Municipalities, totaling approximately \$3.0, billion, of which roughly \$654.2 million has been disbursed.

In FY2020, beginning on December 28, 2019, the first of many earthquakes struck Puerto Rico, causing significant damage to real and personal properties, mostly located in the west and southwest part of the island. On January 6, 2020, Puerto Rico experienced a 5.8 magnitude earthquake on the Richter scale, followed by a magnitude 6.4 earthquake on January 7, 2020. However, given that many properties, especially residential properties, do not pay taxes due to the high levels of exonerations and exemptions that exist, CRIM did not experience a material impact on FY2020 property tax collections as a result of the earthquakes.

A major disaster declaration was issued on January 16, 2020. As part of this declaration, FEMA designated 33 municipalities as eligible for the Individual Assistance Program including Adjuntas, Aguada, Añasco, Arecibo, Barceloneta, Cabo Rojo, Ciales, Coamo, Corozal, Guanica, Guayanilla, Hormigueros, Jayuya, Juana Diaz, Lajas, Lares, Las Marias, Maricao, Mayaguez, Moca, Morovis, Naranjito, Orocovis, Peñuelas, Ponce, Sabana Grande, Salinas, San German, San Sebastian, Santa Isabel, Utuado, Villalba, and Yauco. Of these 33 municipalities, 14 municipalities were also approved for the Public Assistance Program.¹⁸ As of March 2, 2021, \$2.8 million in federal aid

¹⁸ The 14 municipalities approved for the Public Assistance Program include: Adjuntas, Jayuya, Juana Díaz, Lajas, Las Marías, Mayagüez, Sabana Grande, Utuado, Guánica, Guayanilla, Peñuelas, Ponce, San Germán and Yauco

has been obligated to eligible municipalities through FEMA’s Individual Assistance or Public Assistance programs. This federal aid, which is available to municipalities and individuals, has accelerated reconstruction efforts in the areas affected by the earthquakes.

In addition, in FY2020, the Oversight Board approved up to \$100 million for the establishment of a State Recovery Fund to fund advances to eligible small projects under the FEMA Public Assistance program, which many municipalities required due to a lack of liquidity. From these funds, in FY2020, the Oversight Board approved the re-apportionment of \$51.4 million to the Department of Housing for demolition and debris removal projects in Guánica, Guayanilla, Peñuelas, Ponce, and Yauco. Four (4) out of the five (5) municipalities, have executed an MOU with the Department of Housing, which is the required first step to access the funds. As of March 2021, \$12.4 million have already been disbursed. These projects are FEMA reimbursable in a 75/25 percent cost share, so it is important to ensure that all documentation and federal reimbursement requirements are submitted to the Central Office for Recovery, Reconstruction and Resiliency (“COR3”). The table below outlines the support provided to the redevelopment of the Southwest region by municipality.

Support for the Redevelopment of the Southwest Region

(Dollars in thousands)

Municipality	Amount Obligated	Amount Disbursed	Amount Pending Disbursement
Guánica	18,631	(5,400)	13,231
Guayanilla	10,450	(5,400)	5,450
Peñuelas	9,000	-	9,000
Ponce	9,350	-	9,350
Yauco	4,000	(2,000)	2,000
Total	\$51,431	(\$12,400)	\$39,031

After the demolition and debris removal is complete, the next step is the development of an integrated and comprehensive plan providing for capital expenditures and investments necessary for the long-term economic reconstruction of the southwest region, focusing on rebuilding with resiliency and taking into account the changes in the economy in a post-COVID world, the patterns of migration from the area, and the potentially-permanent risks to populations from the earthquakes and erosion after the hurricane, among other factors. This plan must be developed in coordination with all relevant agencies, including the Department of Housing, and will be critical in supporting long-term fiscal sustainability for the Municipalities.

Similarly, 18 municipalities impacted by the earthquakes received Commonwealth support of approximately \$14.9 million in FY2020, as outlined the table below. These funds provided the municipalities with additional revenue so that they could respond to this emergency.

Commonwealth Earthquake Support to Municipalities

(Dollars in thousands)

Municipality	Support Received	Municipality	Support Received
Adjuntas	250	Las Marías	250

Cabo Rojo	250	Maricao	250
Guánica	2,000	Peñuelas	2,000
Guayanilla	2,000	Ponce	2,000
Hormigueros	111	Sabana Grande	250
Jayuya	250	San Germán	250
Juana Díaz	250	Utua do	2,000
Lajas	250	Villalba	250
Lares	250	Yauco	2,000
Total			\$14,861

Historically, given the high levels of exemptions and exonerations, property taxes have been resilient to natural disasters as many of the taxpayers that are most vulnerable to disasters are not paying property taxes to begin with. For example, as mentioned above, property taxes in FY2018 after Hurricanes Irma and Maria were lower by only approximately 2% compared to FY2017 and recovered by FY2019.

Impact of COVID-19 Pandemic

The COVID-19 pandemic is an unprecedented public health crisis, which has significantly impacted the economy. Most businesses had to abruptly shut down in the Spring of 2020, and unemployment skyrocketed. On March 12, 2020, Governor Vázquez declared a state of emergency across the island due to the COVID-19 global pandemic. Furthermore, on March 15, 2020, the Governor signed an executive order (EO 2020-023), which established the closure of all private and government operations, except for those related to essential services. This order was extended through multiple executive orders until June 15, 2020, as a result of the signature of a new executive order (EO 2020-44). Executive Order 2020-44 eased the COVID-19 lockdown restrictions, reduced the curfew hours, allowed some businesses to operate at 50% capacity, and authorized the opening of most businesses and activities (except nightclubs, game rooms, and casinos). However, to prevent resurgent outbreaks and viral spread, some of these partial re-openings were quickly reversed, and partial lockdown measures have remained in place since then. CRIM's central and regional offices remained closed during the lockdown period and are currently opened with limited personnel.

Fortunately, the combined economic impact of the federal and local fiscal stimulus and the gradual reopening of the local economy have mitigated a lot of the negative shock that was initially projected. As a result, in FY2021, many sectors of the economy have performed better than anticipated, including property tax collections. The certified 2020 CRIM Fiscal Plan projected total property tax collections to be approximately \$1,056 million in FY2021. However, as shown in **Exhibit 6** above, total property tax collections for FY2021 are now projected to be approximately \$1,102 million, which is 4.4% higher than initially projected.

Nevertheless, compared to FY2019, total property tax collections in FY2020 were lower by 3.3% or \$37.4 million, driven by a decline in real property tax collection. Similarly, total property tax collections in FY2021 are projected to be lower by 1.4% or \$15.2 million compared to FY2019. This indicates that even though collections for FY2021 are performing better than anticipated, the COVID-19 pandemic impacted property taxes in FY2020 and FY2021 compared to prior years.

Much of this impact is expected to be temporary, and this Fiscal Plan projects a recovery in property tax collections over the forecasted period.

Similarly, as a result of the COVID-19 pandemic and the economic lockdown, the electronic lottery proceeds, which are distributed to the Municipalities as part of the Equalization Fund, a special fund established to ensure that all Municipalities receive at least the same amount of revenues as they received on the prior year, were also negatively impacted. Initially, electronic lottery proceeds were projected to be approximately \$47.3 million for FY2020. However, due to higher winnings in the first half of FY2020 and the impact of the pandemic during the second half of the year, Hacienda revised the lottery estimates to \$27.7 million. Hacienda communicated this revised estimate to CRIM on April 1, 2020. This estimate assumed that the lockdown would be lifted in mid-April 2020. However, due to the extension of the lockdown and partial reopening of the economy, the electronic lottery proceeds for FY2020 came in at \$16.7 million, which is \$30.6 million less than initially projected.

The remittances from July 2019 to April 2020 still reflected the initial estimate of \$47.4 million. However, CRIM adjusted the remittances for May 2020 and June 2020 to incorporate the lower estimate of \$27.7 million. CRIM reconciled any over-advancement to the Municipalities resulting from the lower electronic lottery proceeds of \$16.7 million as part of the year-end reconciliation process. This reduction in lottery proceeds was a key factor in the FY2020 year-end liquidation, negatively impacting 15 municipalities, which were over-advanced by CRIM and now must repay CRIM for the excess funds received during FY2022.

As part of the COVID-19 Emergency Measures Support Package, Municipalities received approximately \$100 million from the Commonwealth in FY2020. Municipalities were distributed \$50 million per month for two months based on a 3-tier division of population by municipality. Municipalities with a population of fewer than 25,000 people received \$1 million in total, those with a population greater than 25,000, but less than 50,000 received \$1.35 million, and those with a population greater than 50,000 received \$1.75 million. In addition, \$200 million was originally made available to the Municipalities from the \$2,241 million appropriated to Puerto Rico under the Coronavirus Aid, Relief and Economic Relief Act (the “CARES Act”). These funds were used to reimburse costs related to COVID-19, which had not been previously budgeted for by the Municipalities. Municipalities were responsible for tracking, reporting, and submitting these incremental expenses to AAFAF for reimbursement. On February 17, 2021, Governor Pierluisi announced that the Government would make available an additional \$100 million from the CARES Act for the Municipalities, for a total of \$300 million. Each of the 78 municipalities was to receive \$1 million, with the remaining \$22 million being available to reimburse additional COVID-19 related expenses as submitted by the Municipalities and approved by AAFAF.

In addition, on March 11, 2021, the Federal Government passed the American Rescue Plan Act of 2021 (“ARP Act”). This \$1.9 trillion economic stimulus bill included, among other things, \$350 billion of direct support to state, municipal, and county governments. From the \$350 billion in direct support to local governments, the Municipalities will receive close to \$950 million. On August 3, 2021, Governor Pierluisi announced the allocation of \$150 million from the CSLFRF to municipalities as part of the Municipal Strengthening Fund, and \$2 million to the Federation and Association of Mayors to train municipality personnel on ARPA management and monitoring.¹⁹

¹⁹ Municipal Strengthening Fund Program Guidelines, published November 2021.

The ARP Act expands the allowable uses for these funds, which can now be used to cover certain costs incurred through December 31, 2024, including:

- Respond to the COVID-19 crisis and its negative economic impacts, including providing aid to households, small businesses, and nonprofits or aid to impacted industries
- Respond to workers performing essential work during the public health crisis by providing premium pay to eligible workers or grants to eligible employers
- Fund government services that have been curtailed as a result of the decrease in tax revenue caused by the pandemic
- Make investments in water, sewer, or broadband infrastructure

States and local governments are prohibited from using the money to fund pensions or to offset tax cuts enacted after March 2021.

The allocation of the funds is based on a population-based formula and designation by the Federal Government. Twenty-seven (27) municipalities were designated as “Metro Cities,” as defined by the Housing and Community Development Act of 1974. The remaining 51 municipalities were designated as “Other Non-Counties.” For the Metro Cities, funding will be disbursed directly from the U.S. Treasury, and for “Other Non-Counties,” the money will go to the Commonwealth for distribution. The funding will be made available in two tranches: 1) in FY2021 within 60 days of the enactment of the Act and 2) in FY2022 no earlier than one (1) year after the first disbursement.

On April 4, 2022, Governor Pierluisi announced that the Government would make available an additional \$17.6 million from the Coronavirus State and Local Fiscal Recovery Funds (CSFRF) from the Cares Act for eligible expenses related to the pandemic. These \$17.6 million were assigned to the following 30 municipalities: Adjuntas, Arecibo, Arroyo, Barranquitas, Bayamón, Caguas, Camuy, Canóvanas, Carolina, Cataño, Ceiba, Comerío, Fajardo, Florida, Guayama, Guaynabo, Hormigueros, Las Piedras, Manatí, Moca, Orocovis, Patillas, Ponce, Río Grande, San Juan, Utuado, Vega Alta, Vega Baja, Vieques and Villalba.

Short-term Liquidity Facility

Furthermore, in response to COVID-19, CRIM’s governing board approved an extension of the personal property tax return filing date from May 15, 2020, to August 7, 2020. Similarly, the date for the payment of the first quarterly installment of personal property taxes for FY2021 was extended from August 15, 2020, to September 15, 2020. These extensions created a short-term liquidity challenge for CRIM for the remainder of FY2020 (May and June 2020) and the first month of FY2021 (July 2020). On May 13, 2020, the Oversight Board proposed establishing a short-term delayed-draw liquidity facility of up to \$185 million, so CRIM could continue advancing monthly tax remittances to the Municipalities. By a letter to the Oversight Board dated May 29, 2020, CRIM indicated it could not accept the terms of the facility as proposed and would be analyzing adjustments to remittances to the Municipalities for May and June. After further discussions, CRIM and the Oversight Board agreed to lower the proposed liquidity facility to \$148 million.

In a letter dated August 5, 2020, CRIM informed the Oversight Board that it would not proceed with the short-term liquidity facility and CRIM advanced the adjusted monthly tax remittances to

municipalities for May and June in August 2020 after collecting the delayed FY2020 personal property taxes.

COVID-19 Local and Federal Aid Provided to Municipalities

(Dollars in actuals)

	CARES Act	ARP Act		Total Local and Federal Aid
	Amount	Amount	Categorization	
Total	\$387,738	\$1,546,297		\$1,934,035
Adjuntas	2,771	31,488	Other Non-Counties	34,260
Aguada	4,183	49,289	Other Non-Counties	53,472
Aguadilla	5,274	86,006	Metro Cities	91,280
Aguas Buenas	3,336	30,282	Other Non-Counties	33,618
Aibonito	2,575	66,818	Other Non-Counties	69,393
Añasco	3,348	26,487	Other Non-Counties	29,835
Arecibo	8,326	72,225	Metro Cities	80,550
Arroyo	3,255	23,384	Other Non-Counties	26,639
Barceloneta	3,366	21,783	Other Non-Counties	25,149
Barranquitas	3,953	17,850	Other Non-Counties	21,803
Bayamon	17,048	23,725	Metro Cities	40,773
Cabo Rojo	4,712	37,101	Metro Cities	41,813
Caguas	11,961	29,999	Metro Cities	41,960
Camuy	4,902	26,221	Other Non-Counties	31,123
Canovanas	6,091	26,633	Metro Cities	32,723
Carolina	14,185	24,470	Metro Cities	38,656
Cataño	3,363	48,680	Other Non-Counties	52,044
Cayey	4,383	84,809	Metro Cities	89,192
Ceiba	3,258	26,781	Other Non-Counties	30,039
Ciales	2,768	19,193	Other Non-Counties	21,961
Cidra	4,201	237,708	Metro Cities	241,910
Coamo	5,045	22,524	Other Non-Counties	27,569
Comerio	3,544	33,782	Other Non-Counties	37,326
Corozal	4,014	40,283	Other Non-Counties	44,297
Culebra	2,605	31,587	Other Non-Counties	34,191
Dorado	4,241	30,219	Other Non-Counties	34,460
Fajardo	3,270	20,431	Metro Cities	23,701
Florida	3,201	5,190	Other Non-Counties	8,391
Guanica	2,596	10,968	Other Non-Counties	13,564
Guayama	4,668	7,417	Metro Cities	12,085
Guayanilla	3,210	6,608	Other Non-Counties	9,819
Guaynabo	10,163	5,153	Metro Cities	15,315
Gurabo	5,144	7,820	Other Non-Counties	12,964
Hatillo	3,884	7,092	Other Non-Counties	10,976
Hormigueros	2,456	8,287	Other Non-Counties	10,743
Humacao	5,126	9,118	Metro Cities	14,244
Isabela	4,681	6,911	Metro Cities	11,592
Jayuya	2,838	3,259	Other Non-Counties	6,097
Juana Diaz	4,817	4,725	Metro Cities	9,543

	CARES Act	ARP Act		Total Local and Federal Aid
	Amount	Amount	Categorization	
Total	\$387,738	\$1,546,297		\$1,934,035
Juncos	4,734	11,459	Other Non-Counties	16,193
Lajas	3,148	5,574	Other Non-Counties	8,722
Lares	3,484	9,653	Other Non-Counties	13,137
Las Marias	3,181	512	Other Non-Counties	3,693
Las Piedras	5,100	10,803	Other Non-Counties	15,903
Loiza	3,668	3,383	Other Non-Counties	7,051
Luquillo	3,055	5,268	Other Non-Counties	8,322
Manati	4,520	14,076	Metro Cities	18,596
Maricao	2,625	4,598	Other Non-Counties	7,224
Maunabo	3,257	11,723	Other Non-Counties	14,980
Mayaguez	6,885	4,638	Metro Cities	11,523
Moca	4,357	4,152	Other Non-Counties	8,509
Morovis	3,726	11,405	Other Non-Counties	15,131
Naguabo	3,820	6,579	Other Non-Counties	10,399
Naranjito	4,007	7,256	Other Non-Counties	11,263
Orocovis	3,507	2,369	Other Non-Counties	5,877
Patillas	3,238	11,062	Other Non-Counties	14,299
Peñuelas	3,010	7,339	Other Non-Counties	10,349
Ponce	12,168	5,280	Metro Cities	17,449
Quebradillas	3,330	1,623	Other Non-Counties	4,953
Rincon	2,845	3,085	Other Non-Counties	5,930
Rio Grande	5,183	10,429	Metro Cities	15,612
Sabana Grande	3,261	9,067	Other Non-Counties	12,329
Salinas	3,622	7,700	Other Non-Counties	11,322
San German	3,505	8,175	Metro Cities	11,680
San Juan	31,846	6,044	Metro Cities	37,890
San Lorenzo	4,596	4,846	Other Non-Counties	9,442
San Sebastian	3,828	5,754	Metro Cities	9,582
Santa Isabel	3,455	6,850	Other Non-Counties	10,306
Toa Alta	5,980	4,082	Metro Cities	10,062
Toa Baja	7,218	6,490	Metro Cities	13,708
Trujillo Alto	6,612	8,109	Metro Cities	14,721
Utua	3,532	10,757	Other Non-Counties	14,289
Vega Alta	4,216	6,340	Other Non-Counties	10,556
Vega Baja	5,228	8,189	Metro Cities	13,416
Vieques	3,789	10,779	Other Non-Counties	14,568
Villalba	3,520	2,507	Other Non-Counties	6,027
Yabucoa	3,920	6,388	Other Non-Counties	10,309
Yauco	3,999	9,649	Metro Cities	13,648

Notes:

- CARES Act allocation sourced from COR3 Transparency Portal as of May 5, 2021. AAFAP has been responsible for approving and tracking CARES Act reimbursement.
- ARP Act allocations sourced from US Treasury published allocations available here: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.
- US Treasury has not published allocations for non-entitlement units of territories. Amounts represent estimated allocation based on 2019 Census estimated population data of municipalities that did not receive a metro city allocation.

Appendix 3: Detailed U.S. Treasury Report Criteria

Criteria 1: Stable revenue

In general, tax revenues should track the overall economy but with greater stability. In Puerto Rico, tax revenue is generally stable year over year.

Criteria 2: Revenue buoyancy

In general, tax revenues ought to grow at about the same rate (or slightly less) than the economy, without the need for increases in tax rates. The tax on real property is not buoyant, as the appraisal level is set at 1957 levels and does not account for increases in property values. Therefore, any revenue increases are only accomplished by increases in the tax rate or expansion to the tax base. Similarly, personal property tax, excluding taxes on inventory, is based on the lesser of the book value or fair market value. This value does not follow changes in the economy to some extent. Inventory tax, on the other hand, is based on current prices and is buoyant.

Criteria 3: Broad base

A broad base will have lower elasticity with respect to income and will, therefore, be more economically neutral. It is also more likely to capture the inherent growth associated with a growing economy. Puerto Rico's tax base is narrow, given that over 200,000 properties are not included in the tax roll, and multiple classes of properties and businesses are exempted from paying taxes.

Criteria 4: Compliance costs

The compliance costs associated with the real property in Puerto Rico are fairly low. However, the compliance costs associated with the personal property are relatively high because the burden of determining the taxable value is placed on the owner.

Criteria 5: Cost of administration

The cost to the tax agency to administer the tax must be kept as low as possible while still maintaining service quality levels. CRIM retains 5% of revenues collected to cover their costs. In the long run, this level appears appropriate. However, given the challenges facing the current system, it is likely additional resources will be required in the short- to medium-term.

Criteria 6: Economic neutrality

The current Puerto Rico property tax system fosters economic inefficiency. For example:

- Taxpayers actively solicit government agencies for property tax relief
- Tangible personal property tax incentivizes firms to employ less efficient equipment and processes for operations

- Inventory tax incentivizes companies to minimize inventories for retail and business-to-business firms
- Current appraisal practices for real property may distort investment decisions
- Some industrial and commercial taxpayers receive preferential treatment.

Criteria 7: Equity

Tax systems should treat taxpayers of equal means in a similar manner. Tax fairness implies that the tax burden for taxpayers with generally identical taxable assets should be equal. The current Puerto Rico property tax system creates substantial equity concerns. For example, multiple large industrial categories are currently exempt from the property tax. Similarly, current appraisal practices for real property and improvements undermine the fairness in the property tax system as recently constructed residential or business buildings are taxed at the same level as older buildings suffering from functional inadequacies.

The combined result is that the property tax in Puerto Rico badly underperforms relative to its potential. The table below provides an overview of how the current system performs on each of the criteria discussed above.

Criteria	Real Property	Personal Property
1. Stable Revenue	Good	Fair
2. Revenue Buoyancy	Very Poor	Fair
3. Broad Base	Poor	Poor
4. Compliance Costs	Fair	Poor
5. Cost of Administration	Good	Fair
6. Economic Neutrality	Poor	Very Poor
7. Equity	Poor	Very Poor

Appendix 4: FY2022 Real Property Tax Exemptions by Land Use Categories²⁰

Land Use Category	Total Properties	% of Total Properties	% of Total Value	Properties Receiving Some Exemption			Properties Receiving No Exemption	
				% of Value Exempted	Average Exemption Rate	Effective Tax Rate	Percent of Value	Effective Tax Rate
Total	1,333,715	100.0%	100.0%	65.2%	90.3%	1.2%	34.8%	10.3%
Single-family	947,783	71.1%	49.7%	76.2%	95.0%	1.2%	23.8%	10.3%
Residential, Vacant	190,106	14.3%	4.4%	53.6%	97.2%	0.7%	46.4%	10.2%
Condominiums	80,064	6.0%	5.9%	61.2%	92.2%	1.6%	38.8%	10.3%
Residential, All other	60,402	4.5%	4.6%	62.4%	75.9%	2.9%	37.6%	10.4%
Retail stores	21,597	1.6%	4.0%	14.7%	88.8%	0.8%	85.3%	10.3%
Commercial, All other	10,040	0.8%	7.1%	25.4%	91.4%	0.6%	74.6%	10.4%
Mixed use	6,629	0.5%	0.7%	33.3%	62.1%	4.4%	66.7%	9.7%
Office and office buildings	4,059	0.3%	1.5%	12.4%	94.9%	1.1%	87.6%	10.2%
Institutional, all	3,932	0.3%	2.4%	88.6%	98.9%	0.2%	11.4%	10.5%
Warehouse & distribution centers	2,113	0.2%	5.1%	63.7%	91.4%	0.8%	36.3%	10.2%
Parking buildings	1,810	0.1%	0.2%	21.6%	94.2%	0.4%	78.4%	10.2%
Entertainment	1,170	0.1%	0.3%	5.0%	81.2%	1.6%	95.0%	10.4%
Industrial, All other	1,064	0.1%	6.8%	86.2%	91.0%	1.0%	13.8%	10.5%
Commercial, vacant	827	0.1%	0.2%	8.4%	96.4%	0.6%	91.6%	10.4%
Agricultural, all	662	0.0%	0.2%	55.9%	94.3%	0.3%	44.1%	10.7%
Shopping mall	448	0.0%	1.6%	2.5%	89.3%	4.0%	97.5%	9.6%
Motor vehicle-related	310	0.0%	0.1%	3.2%	83.8%	2.9%	96.8%	10.0%
Industrial, vacant	235	0.0%	0.1%	48.4%	97.4%	0.6%	51.6%	10.8%
Supermarkets	196	0.0%	0.2%	3.6%	89.3%	0.1%	96.4%	10.3%
Department stores	145	0.0%	0.4%	0.5%	98.7%	0.6%	99.5%	10.1%
Pharmaceutical	82	0.0%	4.2%	95.2%	91.8%	0.6%	4.8%	10.0%
Hotels, motels, guesthouses, hostels	40	0.0%	0.2%	94.3%	91.8%	1.0%	5.7%	10.3%

²⁰ Source: Property Taxes in Puerto Rico: Assessment and Recommendations, December 2021.

Appendix 5: Real Property Tax Exemptions by State and Type²¹

State	General	Senior	Disability-related	Military duty-related	Other	None
Total	23	18	21	36	14	5
Alabama	x	x	x	x		
Alaska		x		x		
Arizona			x		x	
Arkansas				x		
California	x			x		
Colorado		x		x		
Connecticut			x	x		
Delaware		x				
District of Columbia	x					
Florida	x		x	x	x	
Georgia	x	x		x		
Hawaii	x	x	x	x	x	
Idaho	x					
Illinois	x	x	x	x	x	
Indiana	x	x	x	x	x	
Iowa				x		
Kansas	x					
Kentucky						x
Louisiana	x			x	x	
Maine	x		x			
Maryland			x	x		
Massachusetts	x	x	x	x	x	
Michigan	x				x	
Minnesota	x			x		
Mississippi	x	x		x		
Missouri						x
Montana						x
Nebraska				x		
Nevada			x	x	x	
New Hampshire		x	x			
New Jersey				x		
New Mexico				x	x	
New York	x	x	x	x	x	
North Carolina		x	x	x		
North Dakota			x	x		
Ohio		x	x	x		
Oklahoma	x			x	x	
Oregon				x		
Pennsylvania	x			x		
Rhode Island						x
South Carolina	x	x	x	x	x	
South Dakota				x		
Tennessee						x
Texas	x			x		
Utah	x		x	x		
Vermont				x		
Virginia		x	x	x	x	
Washington		x	x	x		
West Virginia		x	x			
Wisconsin	x					
Wyoming				x		

Notes:

- Disability-related exemptions include general disability, blindness, and deafness
- Military duty-related exemptions include veterans, disabled veterans, widow of the veteran, and active duty military
- Other exemptions include widows, low income individuals, law enforcement, and firefighters

²¹ Source: Lincoln Institute of Land Policy, Residential Property Tax Relief Programs database

Appendix 6: FY2020 Real Property Counts and Values by Municipality

(Dollars in thousands)

Municipality	Qualifying Property Counts				Property Values					FY2021 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
Total	1,333,715	56,610	770,730	699,982	\$19,937,181	(\$3,983,796)	(\$7,304,047)	\$8,649,338	43.4%	\$839,215	\$559,496	66.7%
Adjuntas	6,508	345	2,897	4,306	41,545	(1,877)	(19,928)	19,740	47.5%	1,581	943	59.6%
Aguada	16,186	268	7,673	10,009	126,774	(7,056)	(63,547)	56,171	44.3%	4,850	2,763	57.0%
Aguadilla	26,306	680	13,243	15,185	338,030	(88,843)	(117,217)	131,970	39.0%	13,331	8,149	61.1%
Aguas Buenas	9,296	180	4,661	5,905	73,558	(1,974)	(38,966)	32,618	44.3%	3,225	1,755	54.4%
Aibonito	9,387	330	5,453	4,569	99,976	(23,791)	(44,210)	31,975	32.0%	2,902	1,785	61.5%
Añasco	10,288	204	5,523	5,808	111,244	(15,872)	(47,338)	48,034	43.2%	4,550	2,557	56.2%
Arecibo	34,888	1,033	18,938	17,843	417,002	(84,382)	(165,576)	167,044	40.1%	18,361	9,814	53.4%
Arroyo	7,746	401	4,736	2,949	63,777	(3,465)	(37,680)	22,632	35.5%	2,298	1,293	56.3%
Barceloneta	9,358	508	6,021	3,483	492,828	(364,440)	(50,251)	78,137	15.9%	7,356	4,655	63.3%
Barranquitas	5,725	218	2,769	3,351	50,822	(6,280)	(22,783)	21,759	42.8%	1,978	1,176	59.4%
Bayamón	71,532	1,444	48,868	30,423	1,072,106	(79,280)	(499,196)	493,630	46.0%	45,819	32,729	71.4%
Cabo Rojo	30,786	741	13,076	20,023	276,117	(10,605)	(118,907)	146,605	53.1%	14,287	9,443	66.1%
Caguas	49,216	1,227	33,837	23,362	745,531	(50,814)	(336,236)	358,481	48.1%	36,307	25,279	69.6%
Camuy	12,646	346	6,271	7,135	92,097	(2,187)	(51,943)	37,967	41.2%	3,781	2,102	55.6%
Canóvanas	15,963	1,225	9,362	8,251	202,090	(17,664)	(90,786)	93,640	46.3%	9,421	5,998	63.7%
Carolina	65,057	1,843	43,524	31,567	1,359,705	(348,432)	(473,646)	537,627	39.5%	59,319	40,908	69.0%
Cataño	6,489	214	4,648	3,109	156,168	(30,135)	(45,424)	80,608	51.6%	7,209	5,532	76.7%
Cayey	17,412	674	9,986	9,839	223,732	(38,636)	(88,200)	96,896	43.3%	10,035	7,494	74.7%
Ceiba	6,188	394	3,508	2,880	94,307	(40,130)	(30,549)	23,628	25.1%	2,186	1,456	66.6%
Ciales	6,696	227	3,102	4,053	47,773	(3,061)	(22,496)	22,216	46.5%	2,232	1,093	49.0%
Cidra	14,726	313	8,358	8,246	213,365	(61,624)	(74,647)	77,093	36.1%	9,303	5,512	59.3%
Coamo	15,016	637	9,143	6,798	129,303	(6,550)	(75,261)	47,492	36.7%	4,677	2,527	54.0%
Comerio	4,103	234	2,052	2,209	32,594	(1,418)	(15,453)	15,723	48.2%	1,343	732	54.5%
Corozal	8,263	139	4,321	4,645	68,086	(2,261)	(33,713)	32,112	47.2%	3,056	1,606	52.5%
Culebra	1,486	169	228	1,161	13,580	(865)	(1,574)	11,142	82.0%	962	604	62.8%
Dorado	13,576	915	8,411	7,661	320,760	(44,248)	(91,511)	185,001	57.7%	17,361	12,969	74.7%
Fajardo	17,735	917	10,113	8,463	266,119	(50,546)	(94,686)	120,887	45.4%	11,809	7,959	67.4%
Florida	4,117	146	2,528	1,746	31,616	(1,099)	(20,073)	10,445	33.0%	1,066	590	55.3%
Guánica	8,089	925	4,549	3,171	73,757	(9,138)	(34,166)	30,453	41.3%	3,073	1,252	40.7%
Guayama	17,781	1,234	10,328	7,401	619,394	(41,487)	(85,472)	122,436	19.8%	12,107	7,712	63.7%
Guayanilla	6,540	401	3,683	2,960	56,772	(8,254)	(27,062)	21,457	37.8%	2,099	1,050	50.0%
Guaynabo	34,123	1,557	21,507	24,403	859,247	(59,538)	(272,518)	527,191	61.4%	50,171	39,228	78.2%
Gurabo	16,606	878	11,456	8,714	255,088	(41,404)	(121,273)	92,411	36.2%	10,644	7,611	71.5%
Hatillo	13,503	285	7,500	7,086	139,159	(5,312)	(65,572)	68,275	49.1%	6,009	4,007	66.7%
Hormigueros	6,871	162	4,327	3,007	75,074	(4,211)	(39,122)	31,741	42.3%	2,974	2,094	70.4%
Humacao	24,269	1,191	13,340	13,628	426,860	(104,465)	(132,000)	190,396	44.6%	16,356	11,437	69.9%
Isabela	22,142	621	10,841	12,591	435,310	(266,096)	(89,219)	79,995	18.4%	7,266	4,565	62.8%
Jayuya	4,688	272	2,434	2,603	39,537	(2,779)	(18,827)	17,932	45.4%	1,392	625	44.9%
Juana Díaz	18,187	1,061	12,239	6,479	252,113	(87,180)	(103,229)	61,703	24.5%	5,535	2,869	51.8%

Municipality	Qualifying Property Counts				Property Values					FY2021 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
Total	1,333,715	56,610	770,730	699,982	\$19,937,181	(\$3,983,796)	(\$7,304,047)	\$8,649,338	43.4%	\$839,215	\$559,496	66.7%
Juncos	14,752	976	9,565	5,869	613,669	(454,996)	(91,217)	67,456	11.0%	7,388	5,033	68.1%
Lajas	12,202	285	5,938	7,045	94,772	(4,334)	(47,650)	42,788	45.1%	4,869	2,890	59.4%
Lares	9,222	219	4,381	5,884	69,727	(3,586)	(35,082)	31,059	44.5%	3,037	1,703	56.1%
Las Marías	3,480	114	1,414	2,574	23,367	(687)	(10,463)	12,217	52.3%	939	472	50.3%
Las Piedras	14,042	775	8,867	6,927	215,856	(42,560)	(88,185)	85,111	39.4%	8,496	3,680	43.3%
Loíza	8,354	872	4,540	3,513	80,362	(8,201)	(39,296)	32,865	40.9%	3,905	2,281	58.4%
Luquillo	9,802	489	5,071	5,787	113,865	(6,262)	(50,691)	56,912	50.0%	5,115	3,555	69.5%
Manatí	15,351	319	8,656	7,903	278,942	(110,260)	(77,090)	91,592	32.8%	8,232	5,607	68.1%
Maricao	1,890	88	694	1,342	14,241	(1,810)	(4,453)	7,978	56.0%	751	365	48.6%
Maunabo	4,719	496	2,388	2,226	37,155	(3,015)	(19,755)	14,386	38.7%	1,311	826	63.0%
Mayaguez	35,666	836	16,708	22,814	444,817	(46,021)	(151,247)	247,549	55.7%	25,296	16,851	66.6%
Moca	15,112	239	7,132	9,433	108,381	(5,617)	(58,135)	44,629	41.2%	4,152	2,476	59.6%
Morovis	7,730	213	4,699	3,711	69,546	(1,367)	(39,826)	28,353	40.8%	2,905	1,672	57.6%
Naguabo	10,369	521	6,127	4,847	104,814	(10,303)	(55,088)	39,423	37.6%	3,745	2,197	58.7%
Naranjito	7,001	160	3,644	4,148	58,440	(1,474)	(29,865)	27,101	46.4%	2,564	1,565	61.0%
Orocovis	6,412	99	2,824	4,325	48,334	(1,843)	(22,470)	24,021	49.7%	1,838	1,213	66.0%
Patillas	7,315	267	4,123	3,492	54,250	(2,002)	(31,324)	20,924	38.6%	2,039	1,050	51.5%
Peñuelas	7,797	757	4,359	3,321	301,548	(211,868)	(31,064)	58,616	19.4%	4,160	2,947	70.8%
Ponce	58,073	4,214	35,307	24,676	838,777	(135,006)	(313,946)	389,826	46.5%	42,543	26,737	62.8%
Quebradillas	10,865	193	5,631	6,000	82,737	(2,257)	(46,705)	33,775	40.8%	2,889	1,604	55.5%
Rincón	8,732	161	3,437	6,027	76,632	(6,582)	(28,538)	41,512	54.2%	4,406	2,920	66.3%
Río Grande	22,814	1,328	12,013	12,265	313,089	(52,889)	(120,310)	139,890	44.7%	14,222	8,662	60.9%
Sabana Grande	9,466	248	5,702	4,435	80,020	(6,296)	(47,096)	26,628	33.3%	2,605	1,630	62.6%
Salinas	12,724	1,118	7,010	5,331	111,875	(15,498)	(54,678)	41,700	37.3%	4,032	1,899	47.1%
San Germán	13,789	299	7,144	8,030	126,711	(5,824)	(64,051)	56,836	44.9%	5,264	3,273	62.2%
San Juan	142,994	6,009	78,924	88,537	3,077,176	(297,194)	(884,502)	1,895,480	61.6%	169,705	122,249	72.0%
San Lorenzo	14,122	368	8,572	7,362	129,786	(7,584)	(74,358)	47,844	36.9%	4,617	2,935	63.6%
San Sebastián	19,448	334	9,100	12,371	155,961	(10,882)	(76,874)	68,204	43.7%	6,002	3,641	60.7%
Santa Isabel	9,005	653	5,618	3,197	90,096	(13,920)	(45,303)	30,873	34.3%	3,030	1,705	56.3%
Toa Alta	21,948	955	15,576	10,843	264,665	(12,979)	(166,157)	85,529	32.3%	9,480	6,292	66.4%
Toa Baja	25,779	1,463	18,758	8,767	331,174	(15,990)	(175,559)	139,625	42.2%	15,671	10,132	64.7%
Trujillo Alto	23,356	681	15,926	12,112	323,508	(16,720)	(177,373)	129,414	40.0%	13,508	9,025	66.8%
Utuado	9,744	260	4,347	6,335	67,255	(1,222)	(32,785)	33,248	49.4%	2,758	1,497	54.3%
Vega Alta	11,804	1,148	6,686	6,112	157,684	(12,800)	(64,434)	80,451	51.0%	6,833	4,484	65.6%
Vega Baja	20,867	1,516	14,197	7,768	221,036	(11,843)	(119,735)	89,459	40.5%	9,114	4,856	53.3%
Vieques	5,518	1,884	1,583	2,545	41,706	(9,734)	(11,082)	20,890	50.1%	2,198	1,304	59.3%
Villalba	6,130	277	3,588	2,858	52,526	(3,809)	(29,014)	19,702	37.5%	1,806	985	54.5%
Yabucoa	11,449	655	6,555	5,455	112,988	(15,570)	(54,886)	42,532	37.6%	4,057	2,053	50.6%
Yauco	14,378	562	8,472	6,773	156,776	(25,594)	(73,505)	57,676	36.8%	5,497	3,356	61.0%

Appendix 7: Incentive Laws Overview

The Government has enacted various laws that provide economic incentives to eligible businesses and companies to encourage job creation and investment. The Government enacted Act 60-2019 to consolidate dozens of decrees, incentives, subsidies, refunds, and existing tax benefits. The table below summarizes the most significant incentives provided by the Government under Act 60-2019, as identified in CRIM’s 2020 Financial Statements, that impact property taxes.

Sub-section of Act 60-2019	Purpose	Exemptions impacting property taxes
<p><u>Manufacturing:</u> Subtitle B – Chapter 4 and Subtitle C – Chapter 2 <i>(Previously Act 73-2008)</i></p>	<p>Offers an attractive tax structure to attract direct foreign investment to promote the economic development and social betterment of Puerto Rico</p>	<ul style="list-style-type: none"> Applicable businesses are entitled to a 75% exemption on property taxes
<p><u>Tourism and Other Industries:</u> Subtitle B – Chapter 5 and 11, Subtitle C – Chapter 1, and Subtitle E – Chapter 1 <i>(Previously Act 74-2010)</i></p>	<p>Reduce construction and operation costs, and facilitate the investment of tourism-related businesses to make Puerto Rico a world-class tourist destination</p>	<ul style="list-style-type: none"> Any property devoted to tourism is entitled to a 75% exemption on property taxes for a 15-year period
<p><u>Tourism:</u> Subtitle B – Chapter 5 <i>(Previously Act 118-2010)</i></p>	<p>Foster the economic development of municipalities</p>	<ul style="list-style-type: none"> Any tourist facility that operates games of chances is entitled to a 75% exemption on property taxes
<p><u>Creative Industries:</u> Subtitle B – Chapter 9, Subtitle C – Chapter 5, and Subtitle E – Chapter 1 <i>(Previously Act 27-2011)</i></p>	<p>Provide an adequate framework for the continued development of the film industry and other related activities by fostering economic development and investments</p>	<ul style="list-style-type: none"> Personal and real properties devoted to the film industry are entitled to a 75% exemption on taxes
<p><u>Export Services:</u> Subtitle B – Chapter 3 and Subtitle E – Chapter 1 <i>(Previously Act 20-2012)</i></p>	<p>Develop Puerto Rico as an international service center, encourage local professionals to stay and return, and attract foreign capital</p>	<ul style="list-style-type: none"> Personal and real properties used in the operation of the activities covered by these sub-sections are entitled to a 75% exemption on taxes
<p><u>Agriculture:</u> Subtitle B – Chapter 8 <i>(Previously Act 225-1995)</i></p>	<p>Provide “bona fide farmers” with exemptions to promote agricultural development</p>	<ul style="list-style-type: none"> Personal and real properties used for agricultural businesses are entitled to a 100% exemption on taxes
<p><u>Green Energy:</u> Subtitle B – Chapter 7 and Subtitle E – Chapter 1 <i>(Previously Act 83-2010)</i></p>	<p>Establish measures aimed at fostering the development of sustainable energy systems</p>	<ul style="list-style-type: none"> Eligible businesses and companies are entitled to a 75% exemption on property taxes

Appendix 8: FY2022 Real Property Statutory Tax Rates by Municipality

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Adjuntas	6.00%	1.03%	1.50%	8.53%	(0.20%)	8.33%
Aguada	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Aguadilla	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Aguas Buenas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Aibonito	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Añasco	6.00%	1.03%	2.85%	9.88%	(0.20%)	9.68%
Arecibo	6.00%	1.03%	4.80%	11.83%	(0.20%)	11.63%
Arroyo	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Barceloneta	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Barranquitas	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Bayamón	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Cabo Rojo	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Caguas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Camuy	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Canóvanas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Carolina	6.00%	1.03%	4.50%	11.53%	(0.20%)	11.33%
Cataño	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Cayey	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Ceiba	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Ciales	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Cidra	6.00%	1.03%	5.50%	12.53%	(0.20%)	12.33%
Coamo	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Comerio	6.00%	1.03%	2.25%	9.28%	(0.20%)	9.08%
Corozal	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Culebra	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Dorado	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Fajardo	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Florida	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Guánica	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Guayama	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Guayanilla	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Guaynabo	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Gurabo	6.00%	1.03%	5.00%	12.03%	(0.20%)	11.83%
Hatillo	5.72%	1.03%	2.50%	9.25%	(0.20%)	9.05%
Hormigueros	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Humacao	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Isabela	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Jayuya	6.00%	1.03%	1.25%	8.28%	(0.20%)	8.08%
Juana Díaz	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Juncos	6.00%	1.03%	4.50%	11.53%	(0.20%)	11.33%
Lajas	6.00%	1.03%	5.50%	12.53%	(0.20%)	12.33%
Lares	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
Las Marías	6.00%	1.03%	1.35%	8.38%	(0.20%)	8.18%
Las Piedras	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Loíza	6.00%	1.03%	4.90%	11.93%	(0.20%)	11.73%
Luquillo	6.00%	1.03%	2.50%	9.53%	(0.20%)	9.33%
Manatí	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Maricao	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Maunabo	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Mayagüez	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Moca	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Morovis	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Naguabo	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Naranjito	6.00%	1.03%	3.00%	10.03%	(0.20%)	9.83%
Orocovis	6.00%	1.03%	1.20%	8.23%	(0.20%)	8.03%
Patillas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Peñuelas	6.00%	1.03%	1.75%	8.78%	(0.20%)	8.58%
Ponce	6.00%	1.03%	5.50%	12.53%	(0.20%)	12.33%
Quebradillas	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Rincón	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Río Grande	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Sabana Grande	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Salinas	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
San Germán	6.00%	1.03%	3.25%	10.28%	(0.20%)	10.08%
San Juan	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
San Lorenzo	6.00%	1.03%	3.40%	10.43%	(0.20%)	10.23%
San Sebastián	6.00%	1.03%	2.25%	9.28%	(0.20%)	9.08%
Santa Isabel	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Toa Alta	6.00%	1.03%	4.50%	11.53%	(0.20%)	11.33%
Toa Baja	6.00%	1.03%	5.00%	12.03%	(0.20%)	11.83%
Trujillo Alto	6.00%	1.03%	3.75%	10.78%	(0.20%)	10.58%
Utuado	6.00%	1.03%	2.00%	9.03%	(0.20%)	8.83%
Vega Alta	6.00%	1.03%	1.85%	8.88%	(0.20%)	8.68%
Vega Baja	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%
Vieques	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Villalba	6.00%	1.03%	2.75%	9.78%	(0.20%)	9.58%
Yabucoa	6.00%	1.03%	4.00%	11.03%	(0.20%)	10.83%
Yauco	6.00%	1.03%	3.50%	10.53%	(0.20%)	10.33%

Appendix 9: Current Year Real Property Collection Rates by Municipality

Real Property Tax Collection Rate (Current Year)						
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Average	68%	68%	67%	68%	65%	67%
Adjuntas	54%	55%	53%	55%	55%	60%
Aguada	55%	55%	53%	56%	56%	57%
Aguadilla	62%	63%	59%	60%	59%	61%
Aguas Buenas	53%	54%	54%	57%	52%	54%
Aibonito	61%	59%	63%	62%	56%	62%
Añasco	58%	61%	58%	58%	55%	56%
Arecibo	55%	58%	54%	53%	52%	53%
Arroyo	57%	57%	55%	59%	55%	56%
Barceloneta	66%	69%	55%	56%	59%	63%
Barranquitas	59%	63%	60%	61%	58%	59%
Bayamón	73%	74%	71%	71%	68%	71%
Cabo Rojo	62%	66%	64%	67%	65%	66%
Caguas	71%	72%	76%	74%	70%	70%
Camuy	54%	56%	55%	57%	53%	56%
Canóvanas	64%	61%	64%	62%	58%	64%
Carolina	73%	75%	73%	72%	70%	69%
Cataño	73%	77%	77%	84%	77%	77%
Cayey	71%	69%	66%	72%	71%	75%
Ceiba	67%	69%	67%	68%	64%	67%
Ciales	54%	48%	45%	46%	47%	49%
Cidra	63%	62%	63%	63%	61%	59%
Coamo	59%	61%	61%	61%	57%	54%
Comerio	59%	60%	58%	59%	55%	55%
Corozal	56%	56%	54%	55%	52%	53%
Culebra	55%	58%	61%	63%	59%	63%
Dorado	73%	75%	72%	75%	70%	75%
Fajardo	67%	68%	69%	54%	65%	67%
Florida	48%	53%	49%	49%	50%	55%
Guánica	44%	43%	42%	42%	39%	41%
Guayama	70%	68%	66%	67%	58%	64%
Guayanilla	49%	47%	46%	54%	49%	50%
Guaynabo	79%	81%	80%	81%	78%	78%
Gurabo	68%	64%	70%	69%	70%	72%
Hatillo	66%	68%	64%	66%	67%	67%
Hormigueros	70%	72%	70%	71%	70%	70%
Humacao	70%	71%	69%	70%	70%	70%
Isabela	61%	62%	62%	64%	62%	63%
Jayuya	60%	58%	58%	58%	45%	45%
Juana Díaz	57%	52%	57%	60%	51%	52%

Real Property Tax Collection Rate (Current Year)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Average	68%	68%	67%	68%	65%	67%
Juncos	44%	67%	66%	68%	68%	68%
Lajas	58%	58%	59%	58%	57%	59%
Lares	56%	58%	54%	58%	54%	56%
Las Marías	51%	51%	56%	53%	49%	50%
Las Piedras	38%	46%	49%	50%	43%	43%
Loíza	58%	60%	59%	60%	57%	58%
Luquillo	70%	71%	68%	70%	68%	69%
Manatí	68%	65%	66%	64%	69%	68%
Maricao	50%	49%	56%	64%	44%	49%
Maunabo	65%	64%	62%	63%	62%	63%
Mayagüez	70%	69%	68%	67%	64%	67%
Moca	59%	60%	56%	58%	56%	60%
Morovis	51%	57%	60%	58%	55%	58%
Naguabo	62%	61%	60%	57%	57%	59%
Naranjito	65%	65%	70%	64%	61%	61%
Orocovis	68%	67%	63%	63%	60%	66%
Patillas	56%	56%	55%	54%	50%	52%
Peñuelas	76%	74%	75%	72%	70%	71%
Ponce	68%	65%	64%	66%	61%	63%
Quebradillas	55%	56%	54%	56%	52%	56%
Rincón	66%	68%	64%	67%	66%	66%
Río Grande	60%	59%	60%	64%	59%	61%
Sabana Grande	62%	67%	63%	63%	60%	63%
Salinas	47%	47%	48%	49%	46%	47%
San Germán	63%	65%	61%	64%	60%	62%
San Juan	74%	72%	73%	72%	71%	72%
San Lorenzo	63%	65%	65%	66%	64%	64%
San Sebastián	62%	61%	59%	62%	59%	61%
Santa Isabel	62%	61%	63%	58%	55%	56%
Toa Alta	64%	68%	66%	71%	68%	66%
Toa Baja	65%	66%	63%	65%	61%	65%
Trujillo Alto	66%	67%	66%	67%	62%	67%
Utuado	56%	56%	54%	56%	51%	54%
Vega Alta	67%	67%	65%	63%	64%	66%
Vega Baja	53%	54%	53%	55%	50%	53%
Vieques	63%	63%	61%	61%	56%	59%
Villalba	59%	58%	55%	58%	53%	55%
Yabucoa	56%	53%	53%	52%	48%	51%
Yauco	61%	60%	60%	64%	61%	61%

Appendix 10: FY2020 Personal Property Counts and Values by Municipality

(Dollars in thousands)

Municipality	Qualifying Property Counts				Property Values					FY2021 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
Total	75,668	4,053	19,582	54,204	\$11,930,994	(\$6,531,046)	(\$77,612)	\$5,322,336	44.6%	\$435,198	\$405,880	93.3%
Adjuntas	301	25	110	175	7,346	(2,948)	(649)	3,748	51.0%	237	245	103.3%
Aguada	1,311	35	584	719	33,276	(5,995)	(2,935)	24,346	73.2%	1,663	1,580	95.0%
Aguadilla	1,828	93	621	1,183	184,590	(116,808)	(2,607)	65,175	35.3%	4,451	4,153	93.3%
Aguas Buenas	297	12	102	189	9,589	(2,971)	(370)	6,248	65.2%	520	480	92.1%
Aibonito	623	50	232	355	130,175	(113,895)	(1,118)	15,162	11.6%	1,111	989	89.0%
Añasco	696	45	287	390	130,954	(101,846)	(890)	28,218	21.5%	2,167	1,994	92.0%
Arecibo	1,938	122	584	1,293	237,428	(155,312)	(2,574)	79,543	33.5%	6,626	5,679	85.7%
Arroyo	179	9	49	126	46,930	(36,502)	(260)	10,169	21.7%	847	718	84.8%
Barceloneta	545	37	154	375	365,844	(304,381)	(590)	60,872	16.6%	5,071	4,201	82.9%
Barranquitas	667	28	282	365	12,725	(901)	(1,048)	10,776	84.7%	790	745	94.3%
Bayamón	4,097	147	677	3,379	827,268	(327,844)	(2,805)	496,619	60.0%	37,633	35,754	95.0%
Cabo Rojo	1,170	58	417	722	48,277	(17,679)	(1,385)	29,213	60.5%	1,995	1,901	95.3%
Caguas	2,832	169	493	2,281	521,373	(238,918)	(2,267)	280,188	53.7%	23,340	22,684	97.2%
Camuy	788	66	286	451	26,807	(10,498)	(1,105)	15,204	56.7%	1,038	931	89.6%
Canóvanas	620	24	145	472	92,788	(52,169)	(516)	40,103	43.2%	3,341	3,122	93.5%
Carolina	3,397	134	562	2,803	562,575	(210,623)	(2,285)	349,667	62.2%	32,624	31,350	96.1%
Cataño	547	64	104	428	438,806	(232,198)	(274)	206,334	47.0%	17,188	15,642	91.0%
Cayey	864	34	238	612	230,760	(128,888)	(924)	100,948	43.7%	8,661	8,221	94.9%
Ceiba	224	14	70	151	10,834	(4,566)	(316)	5,952	54.9%	345	333	96.4%
Ciales	323	27	117	187	7,283	(2,741)	(456)	4,086	56.1%	340	346	101.8%
Cidra	687	43	247	424	153,027	(102,814)	(994)	49,219	32.2%	5,084	4,655	91.6%
Coamo	623	34	248	356	23,325	(10,558)	(859)	11,908	51.1%	992	939	94.7%
Comerio	270	19	105	154	7,358	(2,270)	(658)	4,430	60.2%	314	295	93.9%
Corozal	653	24	207	431	25,709	(11,774)	(496)	13,439	52.3%	1,052	991	94.2%
Culebra	125	4	30	97	1,952	(162)	(109)	1,681	86.1%	115	106	92.6%
Dorado	835	80	110	695	133,871	(76,734)	(693)	56,445	42.2%	4,984	4,771	95.7%
Fajardo	1,004	46	270	718	138,582	(80,454)	(945)	57,183	41.3%	3,906	3,787	97.0%
Florida	226	12	123	97	4,860	(2,117)	(337)	2,406	49.5%	200	192	95.7%
Guánica	271	25	113	142	11,279	(6,863)	(355)	4,061	36.0%	348	357	102.5%
Guayama	795	32	223	564	244,453	(190,855)	(1,122)	52,477	21.5%	4,240	3,754	88.5%
Guayanilla	287	18	131	150	34,474	(28,103)	(292)	6,080	17.6%	537	522	97.3%
Guaynabo	2,450	161	189	2,196	890,137	(455,869)	(1,176)	433,091	48.7%	34,994	32,320	92.4%
Gurabo	563	31	142	415	197,033	(161,885)	(437)	34,712	17.6%	2,718	2,593	95.4%
Hatillo	1,101	88	329	699	110,136	(15,863)	(1,332)	92,941	84.4%	6,552	6,647	101.4%
Hormigueros	456	28	144	299	23,202	(3,046)	(536)	19,620	84.6%	1,536	1,490	97.0%
Humacao	1,253	68	343	886	302,816	(202,299)	(1,043)	99,474	32.8%	6,794	6,010	88.5%
Isabela	1,254	63	478	749	44,504	(5,742)	(2,211)	36,551	82.1%	2,679	2,595	96.8%
Jayuya	239	19	93	133	83,825	(75,586)	(483)	7,756	9.3%	472	448	95.1%
Juana Díaz	696	34	269	410	350,653	(327,705)	(880)	22,068	6.3%	1,838	1,889	102.8%

Municipality	Qualifying Property Counts				Property Values					FY2021 Billing and Collections		
	Total	Exemptions	Exonerations	Taxable	Total	Exemptions	Exonerations	Net Taxable	% Taxable	Billing	Total Tax Collection	Collection Rate
Total	75,668	4,053	19,582	54,204	\$11,930,994	(\$6,531,046)	(\$77,612)	\$5,322,336	44.6%	\$435,198	\$405,880	93.3%
Juncos	515	28	170	333	229,256	(191,076)	(506)	37,675	16.4%	3,515	2,270	64.6%
Lajas	466	55	187	241	27,731	(17,535)	(662)	9,535	34.4%	985	923	93.7%
Lares	589	73	225	302	22,743	(12,721)	(1,022)	9,000	39.6%	727	718	98.8%
Las Marías	142	14	53	79	3,267	(847)	(201)	2,219	67.9%	137	132	96.2%
Las Piedras	643	41	197	424	357,015	(322,423)	(848)	33,744	9.5%	2,305	2,429	105.4%
Loíza	246	12	88	155	4,787	(1,181)	(150)	3,456	72.2%	336	326	97.1%
Luquillo	377	19	104	266	19,735	(3,271)	(332)	16,131	81.7%	1,102	1,022	92.8%
Manatí	1,300	60	259	1,012	245,829	(182,805)	(902)	62,122	25.3%	4,709	4,442	94.3%
Maricao	92	18	25	53	24,791	(20,111)	(75)	4,605	18.6%	268	240	89.4%
Maunabo	161	10	63	92	2,873	(930)	(311)	1,632	56.8%	111	110	99.1%
Mayaguez	2,263	101	531	1,696	218,145	(56,836)	(2,297)	159,012	72.9%	13,643	13,387	98.1%
Moca	1,006	53	427	543	44,700	(23,071)	(1,883)	19,746	44.2%	1,299	1,344	103.4%
Morovis	469	24	185	268	15,346	(4,485)	(601)	10,260	66.9%	726	638	87.9%
Naguabo	365	34	121	222	25,082	(13,143)	(337)	11,602	46.3%	758	722	95.3%
Naranjito	800	13	321	475	21,855	(4,702)	(1,096)	16,057	73.5%	1,257	1,229	97.7%
Orocovis	490	19	221	257	10,235	(2,829)	(658)	6,748	65.9%	407	385	94.6%
Patillas	261	10	120	136	7,265	(1,756)	(465)	5,044	69.4%	420	288	68.7%
Peñuelas	357	19	141	206	116,782	(100,316)	(363)	16,103	13.8%	1,060	900	85.0%
Ponce	3,274	170	812	2,378	408,818	(147,453)	(3,756)	257,610	63.0%	21,459	20,261	94.4%
Quebradillas	671	35	274	377	15,963	(2,555)	(1,202)	12,206	76.5%	834	722	86.6%
Rincón	470	21	156	312	18,197	(9,677)	(832)	7,688	42.2%	679	645	94.9%
Río Grande	663	39	171	477	67,097	(31,437)	(678)	34,982	52.1%	2,389	2,203	92.2%
Sabana Grande	439	26	182	248	32,059	(22,179)	(534)	9,346	29.2%	779	721	92.6%
Salinas	439	34	167	250	61,652	(47,990)	(559)	13,104	21.3%	1,092	1,040	95.3%
San Germán	761	46	274	463	60,619	(34,993)	(906)	24,720	40.8%	1,874	1,779	94.9%
San Juan	11,663	549	1,250	10,166	1,929,080	(668,077)	(5,591)	1,255,412	65.1%	104,576	96,430	92.2%
San Lorenzo	478	25	171	294	138,693	(107,179)	(731)	30,782	22.2%	2,533	2,475	97.7%
San Sebastián	1,249	124	514	642	41,689	(7,497)	(1,562)	32,630	78.3%	2,392	2,368	99.0%
Santa Isabel	401	43	82	284	102,490	(66,961)	(436)	35,093	34.2%	3,099	2,669	86.1%
Toa Alta	817	13	233	588	21,380	(810)	(963)	19,608	91.7%	1,633	1,537	94.1%
Toa Baja	1,487	61	330	1,152	351,478	(217,818)	(1,073)	132,586	37.7%	13,033	11,863	91.0%
Trujillo Alto	836	28	151	673	54,121	(5,602)	(587)	47,931	88.6%	4,113	3,754	91.3%
Utuado	652	45	259	364	17,251	(6,237)	(954)	10,060	58.3%	687	671	97.6%
Vega Alta	690	27	186	496	66,982	(37,803)	(593)	28,586	42.7%	1,910	1,536	80.4%
Vega Baja	1,254	50	333	904	252,984	(195,799)	(1,281)	55,903	22.1%	4,657	4,310	92.5%
Vieques	207	13	41	164	6,201	(1,943)	(194)	4,063	65.5%	359	336	93.5%
Villalba	397	14	200	191	47,129	(36,760)	(802)	9,566	20.3%	797	495	62.1%
Yabucoa	433	43	164	239	78,807	(66,924)	(581)	11,303	14.3%	998	1,051	105.4%
Yauco	810	22	286	511	54,043	(26,936)	(753)	26,354	48.8%	2,195	2,077	94.6%

Appendix 11: Decrees Identified by CRIM

Decrees by Origin

Total		3,887
<u>Central Government</u>		
Act. No. 225-1995	Agriculture	973
Act. No. 73-2008	Economic Incentives Act. of 2008	662
Act. No. 135-1997	Economic Incentives Act. of 1997	498
Article 5.01 (e) Act. No. 83-1991	Non-profit Organizations	315
Act. No. 255-1995	Cooperatives	183
Act. No. 74-2010	Tourism Development	143
Others Municipal Tax Grants	Foreign Trade Zone	143
Act. No. 168-1968	For-profit Hospital	129
Act. No. 20-2012	Law to Promote the Export of Services	103
Act. No. 83-2010	Incentives Law for Green Energy	33
Act. No. 273-2012	Regulatory Law for the International Financial Center	23
Article 5.01 (f) Act. No. 83-1991	Non-profit Hospital	17
Other Exemptions	Other	529
Total decrees originating in the Central Government		3,751
		<i>% of the total</i> 97%
<u>Municipalities</u>		
Others Municipal Tax Grant (Part 1)		52
Others Municipal Tax Grant (Part 2)		84
Total decrees originating in the Municipalities		136
		<i>% of the total</i> 3%

Appendix 12: FY2022 Personal Property Statutory Tax Rates by Municipality

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Adjuntas	4.00%	1.03%	1.50%	6.53%	(0.20%)	6.33%
Aguada	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Aguadilla	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Aguas Buenas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Aibonito	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Añasco	4.00%	1.03%	2.85%	7.88%	(0.20%)	7.68%
Arecibo	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Arroyo	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Barceloneta	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Barranquitas	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Bayamón	4.00%	1.03%	2.75%	7.78%	(0.20%)	7.58%
Cabo Rojo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Caguas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Camuy	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Canóvanas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Carolina	4.00%	1.03%	4.50%	9.53%	(0.20%)	9.33%
Cataño	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Cayey	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Ceiba	3.72%	1.03%	1.25%	6.00%	(0.20%)	5.80%
Ciales	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Cidra	4.00%	1.03%	5.50%	10.53%	(0.20%)	10.33%
Coamo	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Comerío	4.00%	1.03%	2.25%	7.28%	(0.20%)	7.08%
Corozal	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Culebra	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Dorado	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Fajardo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Florida	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Guánica	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Guayama	4.00%	1.03%	3.25%	8.28%	(0.20%)	8.08%
Guayanilla	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Guaynabo	4.00%	1.03%	3.25%	8.28%	(0.20%)	8.08%
Gurabo	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Hatillo	3.72%	1.03%	2.50%	7.25%	(0.20%)	7.05%
Hormigueros	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Humacao	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Isabela	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Jayuya	4.00%	1.03%	1.25%	6.28%	(0.20%)	6.08%
Juana Díaz	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%

	Basic Municipal Contribution	State Redemption Fund (GO)	Special Additional Tax (CAE)	Total Pre-discount	Discount	Total Rate (Post-Discount)
	A	B	C	D = A + B + C	E	F = D + E
Juncos	4.00%	1.03%	4.50%	9.53%	(0.20%)	9.33%
Lajas	4.00%	1.03%	5.50%	10.53%	(0.20%)	10.33%
Lares	4.00%	1.03%	3.25%	8.28%	(0.20%)	8.08%
Las Marías	4.00%	1.03%	1.35%	6.38%	(0.20%)	6.18%
Las Piedras	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Loíza	4.00%	1.03%	4.90%	9.93%	(0.20%)	9.73%
Luquillo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Manatí	4.00%	1.03%	2.75%	7.78%	(0.20%)	7.58%
Maricao	4.00%	1.03%	1.00%	6.03%	(0.20%)	5.83%
Maunabo	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Mayagüez	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Moca	4.00%	1.03%	1.75%	6.78%	(0.20%)	6.58%
Morovis	4.00%	1.03%	2.25%	7.28%	(0.20%)	7.08%
Naguabo	4.00%	1.03%	1.70%	6.73%	(0.20%)	6.53%
Naranjito	4.00%	1.03%	3.00%	8.03%	(0.20%)	7.83%
Orocovis	4.00%	1.03%	1.20%	6.23%	(0.20%)	6.03%
Patillas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Peñuelas	4.00%	1.03%	1.75%	6.78%	(0.20%)	6.58%
Ponce	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Quebradillas	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Rincón	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Río Grande	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Sabana Grande	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Salinas	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
San Germán	4.00%	1.03%	2.75%	7.78%	(0.20%)	7.58%
San Juan	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
San Lorenzo	4.00%	1.03%	3.40%	8.43%	(0.20%)	8.23%
San Sebastián	4.00%	1.03%	2.50%	7.53%	(0.20%)	7.33%
Santa Isabel	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Toa Alta	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Toa Baja	4.00%	1.03%	5.00%	10.03%	(0.20%)	9.83%
Trujillo Alto	4.00%	1.03%	3.75%	8.78%	(0.20%)	8.58%
Utua	4.00%	1.03%	2.00%	7.03%	(0.20%)	6.83%
Vega Alta	4.00%	1.03%	1.85%	6.88%	(0.20%)	6.68%
Vega Baja	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Vieques	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Víllalba	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%
Yabucoa	4.00%	1.03%	4.00%	9.03%	(0.20%)	8.83%
Yauco	4.00%	1.03%	3.50%	8.53%	(0.20%)	8.33%

Appendix 13: Projected Advances to Municipalities for FY2023²²

(Dollars in thousands)

	Total Property Taxes	Less: CAE Collections	Less: Redemption Fund Collections	Total Base Taxes	Add: Equalization Fund	Add: Extraordinary Fund	Less: CRIM Admin Fee	Less: Net Interest	Less: GDB Debt Service	Less: ASES Contribution	Advances to Munis
Total	\$1,141,270	(\$410,142)	(\$122,402)	\$608,725	\$91,976	\$57,980	(\$30,436)	(\$4,000)	(\$10,881)	(\$123,299)	\$590,064
Adjuntas	1,537	(286)	(197)	1,054	1,753	638	(53)	(7)	(139)	(167)	3,079
Aguada	5,792	(1,413)	(728)	3,651	1,543	755	(183)	(24)	(12)	(366)	5,364
Aguadilla	14,479	(4,594)	(1,638)	8,246	464	737	(412)	(54)	(13)	(919)	8,048
Aguas Buenas	3,143	(1,091)	(321)	1,731	1,776	674	(87)	(11)	(13)	(250)	3,820
Aibonito	3,429	(986)	(406)	2,037	1,494	466	(102)	(13)	-	(271)	3,611
Añasco	5,860	(1,858)	(671)	3,331	1,192	513	(167)	(22)	(13)	(226)	4,608
Arecibo	19,617	(7,988)	(1,920)	9,709	241	796	(485)	(64)	(153)	(1,616)	8,428
Arroyo	2,405	(858)	(252)	1,295	1,597	599	(65)	(9)	(213)	(277)	2,928
Barceloneta	9,762	(3,573)	(1,051)	5,137	1,057	705	(257)	(34)	(212)	(865)	5,532
Barranquitas	2,232	(639)	(263)	1,330	2,195	874	(67)	(9)	(10)	(257)	4,057
Bayamón	75,225	(23,859)	(8,936)	42,430	359	1,724	(2,121)	(279)	(252)	(8,033)	33,827
Cabo Rojo	13,548	(4,219)	(1,452)	7,878	126	579	(394)	(52)	(18)	(603)	7,517
Caguas	53,532	(19,692)	(5,795)	28,045	416	1,178	(1,402)	(184)	(138)	(5,869)	22,046
Camuy	3,906	(1,247)	(434)	2,225	1,753	691	(111)	(15)	(82)	(302)	4,159
Canóvanas	10,830	(3,845)	(1,132)	5,854	1,109	712	(293)	(38)	(17)	(517)	6,811
Carolina	80,061	(33,892)	(7,758)	38,411	776	1,347	(1,921)	(252)	(745)	(5,899)	31,717
Cataño	21,283	(8,228)	(2,421)	10,634	1,890	1,465	(532)	(70)	(523)	(1,637)	11,227
Cayey	17,375	(6,729)	(1,848)	8,798	314	638	(440)	(58)	(344)	(626)	8,281
Ceiba	2,015	(514)	(235)	1,266	1,380	479	(63)	(8)	(63)	(249)	2,741
Ciales	2,142	(741)	(218)	1,182	1,497	608	(59)	(8)	(98)	(298)	2,824
Cidra	11,852	(5,632)	(1,055)	5,165	935	605	(258)	(34)	-	(678)	5,735
Coamo	4,475	(1,562)	(460)	2,453	1,560	591	(123)	(16)	(79)	(376)	4,010
Comerio	1,303	(339)	(155)	809	2,300	898	(40)	(5)	(61)	(241)	3,659
Corozal	3,200	(1,039)	(357)	1,804	2,069	816	(90)	(12)	(98)	(345)	4,143
Culebra	773	(177)	(91)	505	662	1,017	(25)	(3)	(193)	(82)	1,880
Dorado	21,065	(7,816)	(2,108)	11,141	-	676	(557)	(73)	(20)	(706)	10,461
Fajardo	13,885	(4,426)	(1,551)	7,908	536	622	(395)	(52)	(17)	(769)	7,833
Florida	1,004	(350)	(103)	551	1,728	782	(28)	(4)	(236)	(199)	2,595
Guánica	2,184	(787)	(216)	1,181	1,606	457	(59)	(8)	(78)	(194)	2,906
Guayama	13,138	(4,449)	(1,410)	7,280	314	490	(364)	(48)	(10)	(837)	6,824
Guayanilla	2,268	(877)	(226)	1,165	1,451	541	(58)	(8)	(281)	(232)	2,578
Guaynabo	84,636	(29,616)	(9,386)	45,634	-	1,342	(2,282)	(300)	(680)	(10,296)	33,419
Gurabo	11,634	(4,715)	(1,118)	5,801	804	639	(290)	(38)	-	(608)	6,307
Hatillo	12,096	(3,801)	(1,566)	6,729	789	662	(336)	(44)	-	(506)	7,293
Hormigueros	4,204	(1,374)	(472)	2,358	997	637	(118)	(15)	-	(268)	3,591
Humacao	21,259	(5,203)	(2,680)	13,376	131	806	(669)	(88)	(75)	(1,292)	12,190
Isabela	8,399	(2,391)	(985)	5,023	1,133	509	(251)	(33)	(4)	(255)	6,122
Jayuya	1,528	(258)	(213)	1,056	1,522	397	(53)	(7)	(51)	(223)	2,641
Juana Díaz	6,146	(1,897)	(689)	3,560	1,088	525	(178)	(23)	(13)	(558)	4,401

²² The Equalization Fund reflects CRIM's lower Electronic Lottery estimates of \$48.0 million

	Total Property Taxes	Less: CAE Collections	Less: Redemption Fund Collections	Total Base Taxes	Add: Equalization Fund	Add: Extraordinary Fund	Less: CRIM Admin Fee	Less: Net Interest	Less: GDB Debt Service	Less: ASES Contribution	Advances to Munis
Total	\$1,141,270	(\$410,142)	(\$122,402)	\$608,725	\$91,976	\$57,980	(\$30,436)	(\$4,000)	(\$10,881)	(\$123,299)	\$590,064
Juncos	8,942	(3,730)	(854)	4,359	1,174	738	(218)	(29)	(56)	(808)	5,160
Lajas	4,990	(2,276)	(426)	2,288	1,336	517	(114)	(15)	(33)	(271)	3,709
Lares	3,154	(1,055)	(334)	1,765	1,914	695	(88)	(12)	(71)	(343)	3,860
Las Marías	912	(155)	(118)	638	1,617	644	(32)	(4)	(259)	(220)	2,385
Las Piedras	7,316	(2,298)	(851)	4,166	898	563	(208)	(27)	(74)	-	5,319
Loíza	3,302	(1,388)	(292)	1,622	2,052	711	(81)	(11)	(75)	(289)	3,931
Luquillo	5,470	(1,463)	(639)	3,368	913	483	(168)	(22)	(55)	-	4,519
Manatí	12,124	(3,790)	(1,419)	6,916	884	684	(346)	(45)	-	(695)	7,397
Maricao	960	(267)	(116)	576	1,265	543	(29)	(4)	(281)	(171)	1,899
Maunabo	1,188	(354)	(127)	707	1,721	663	(35)	(5)	(106)	(154)	2,791
Mayagüez	34,683	(13,162)	(3,615)	17,905	157	871	(895)	(118)	(97)	(2,386)	15,438
Moca	4,913	(1,344)	(593)	2,976	1,635	669	(149)	(20)	(11)	(351)	4,749
Morovis	3,062	(1,066)	(325)	1,670	2,065	766	(83)	(11)	(58)	(303)	4,045
Naguabo	3,751	(1,082)	(428)	2,241	1,399	511	(112)	(15)	(22)	(193)	3,810
Naranjito	3,483	(1,152)	(396)	1,935	2,134	847	(97)	(13)	(60)	(287)	4,459
Orocovis	2,023	(316)	(272)	1,436	2,225	703	(72)	(9)	(82)	(264)	3,937
Patillas	1,746	(608)	(179)	959	1,624	586	(48)	(6)	(119)	(222)	2,774
Peñuelas	4,938	(1,043)	(614)	3,281	1,109	499	(164)	(22)	(122)	(376)	4,206
Ponce	55,904	(23,970)	(5,361)	26,573	131	1,210	(1,329)	(175)	(152)	(10,312)	15,947
Quebradillas	3,051	(729)	(375)	1,947	1,527	656	(97)	(13)	(15)	(275)	3,730
Rincón	4,207	(1,584)	(408)	2,214	1,264	599	(111)	(15)	(38)	(241)	3,673
Río Grande	13,505	(4,372)	(1,439)	7,693	167	589	(385)	(51)	(54)	(629)	7,331
Sabana Grande	2,924	(1,033)	(304)	1,588	1,471	548	(79)	(10)	(33)	(156)	3,328
Salinas	4,018	(1,430)	(421)	2,167	1,495	521	(108)	(14)	(97)	(354)	3,609
San Germán	6,512	(2,131)	(715)	3,666	1,122	584	(183)	(24)	(6)	(592)	4,565
San Juan	263,227	(95,359)	(28,063)	139,806	-	2,894	(6,990)	(919)	(2,829)	(48,522)	83,440
San Lorenzo	6,662	(2,393)	(725)	3,543	1,501	580	(177)	(23)	(65)	(470)	4,888
San Sebastián	7,320	(2,014)	(881)	4,425	1,309	643	(221)	(29)	(91)	(533)	5,501
Santa Isabel	5,386	(2,204)	(567)	2,614	1,158	484	(131)	(17)	(69)	(224)	3,816
Toa Alta	9,084	(3,579)	(864)	4,642	1,288	984	(232)	(31)	(110)	(595)	5,946
Toa Baja	25,494	(11,662)	(2,402)	11,431	361	1,126	(572)	(75)	(255)	(1,420)	10,596
Trujillo Alto	15,183	(5,611)	(1,541)	8,032	786	1,076	(402)	(53)	(64)	(644)	8,733
Utua	3,029	(724)	(373)	1,932	1,960	635	(97)	(13)	(18)	(349)	4,050
Vega Alta	7,279	(1,608)	(895)	4,775	1,069	657	(239)	(31)	(14)	(548)	5,670
Vega Baja	13,255	(4,773)	(1,405)	7,077	492	649	(354)	(47)	(28)	(656)	7,133
Vieques	2,066	(780)	(201)	1,085	1,145	781	(54)	(7)	(196)	(298)	2,456
Villalba	2,054	(663)	(227)	1,165	2,095	708	(58)	(8)	(150)	(313)	3,438
Yabucoa	4,329	(1,659)	(427)	2,243	1,611	601	(112)	(15)	(55)	(323)	3,950
Yauco	6,601	(2,353)	(693)	3,555	1,339	572	(178)	(23)	(7)	(595)	4,663

Appendix 14: Projected Advances to Municipalities for FY2024 to FY2027^{23,24}

(Dollars in thousands)

	FY2024			FY2025			FY2026			FY2027		
	Net Base Taxes	CW Transfer	Advances to Munis	Net Base Taxes	CW Transfer	Advances to Munis	Net Base Taxes	CW Transfer	Advances to Munis	Net Base Taxes	CW Transfer	Advances to Munis
Total	\$574,347	\$143,420	\$717,767	\$585,286	\$100,684	\$685,970	\$596,226	\$102,171	\$698,397	\$607,165	\$104,242	\$711,408
Adjuntas	873	2,338	3,212	892	1,517	2,408	910	1,547	2,457	928	1,588	2,516
Aguada	3,494	2,222	5,716	3,555	1,502	5,058	3,617	1,528	5,145	3,679	1,563	5,242
Aguadilla	7,922	1,099	9,021	8,078	890	8,967	8,233	894	9,127	8,388	900	9,289
Aguas Buenas	1,650	2,392	4,041	1,679	1,560	3,239	1,708	1,590	3,298	1,737	1,631	3,368
Aibonito	1,959	1,921	3,879	1,996	1,219	3,215	2,034	1,242	3,275	2,071	1,273	3,344
Añasco	3,184	1,654	4,838	3,239	1,096	4,335	3,294	1,115	4,409	3,349	1,140	4,489
Arecibo	9,181	923	10,104	9,355	820	10,176	9,530	821	10,351	9,704	823	10,527
Arroyo	1,034	2,145	3,179	1,059	1,397	2,456	1,084	1,425	2,509	1,109	1,461	2,571
Barceloneta	4,738	1,680	6,419	4,841	1,190	6,031	4,944	1,206	6,150	5,047	1,228	6,275
Barranquitas	1,272	2,994	4,266	1,299	1,967	3,267	1,327	2,007	3,333	1,354	2,059	3,413
Bayamón	40,585	1,777	42,362	41,393	1,628	43,021	42,201	1,596	43,797	43,009	1,616	44,624
Cabo Rojo	7,567	616	8,183	7,719	564	8,283	7,872	560	8,432	8,024	556	8,580
Caguas	26,842	1,390	28,232	27,363	1,207	28,571	27,885	1,189	29,074	28,407	1,169	29,575
Camuy	2,058	2,382	4,440	2,099	1,561	3,660	2,140	1,591	3,731	2,182	1,630	3,812
Canóvanas	5,607	1,739	7,346	5,708	1,224	6,932	5,810	1,240	7,050	5,911	1,263	7,173
Carolina	36,211	1,873	38,084	36,928	1,520	38,448	37,646	1,491	39,137	38,363	1,462	39,825
Cataño	9,727	3,187	12,914	9,944	2,313	12,258	10,162	2,346	12,508	10,380	2,389	12,769
Cayey	8,114	861	8,975	8,272	721	8,993	8,431	723	9,153	8,589	725	9,314
Ceiba	1,158	1,818	2,976	1,185	1,171	2,356	1,212	1,193	2,405	1,239	1,223	2,463
Ciales	1,037	2,052	3,089	1,057	1,352	2,408	1,076	1,378	2,455	1,096	1,414	2,510
Cidra	4,966	1,470	6,435	5,058	1,035	6,094	5,151	1,049	6,200	5,244	1,068	6,312
Coamo	2,279	2,097	4,376	2,324	1,366	3,690	2,368	1,391	3,759	2,412	1,425	3,837
Comerio	718	3,123	3,841	733	2,047	2,779	748	2,089	2,836	763	2,144	2,907
Corozal	1,640	2,813	4,453	1,677	1,845	3,521	1,713	1,880	3,594	1,749	1,928	3,678
Culebra	295	1,570	1,865	306	1,273	1,579	318	1,297	1,615	330	1,325	1,654
Dorado	10,695	600	11,295	10,899	611	11,510	11,103	622	11,726	11,307	634	11,941
Fajardo	7,588	1,072	8,660	7,732	827	8,559	7,877	831	8,707	8,021	837	8,858
Florida	294	2,442	2,736	305	1,635	1,940	315	1,669	1,984	326	1,712	2,038
Guánica	1,058	2,028	3,086	1,079	1,274	2,353	1,101	1,299	2,400	1,122	1,334	2,456
Guayama	6,991	731	7,722	7,124	589	7,713	7,256	590	7,846	7,389	591	7,980
Guayanilla	838	1,946	2,784	857	1,267	2,124	876	1,292	2,168	895	1,325	2,221
Guaynabo	43,167	1,190	44,357	43,961	1,212	45,173	44,755	1,235	45,989	45,548	1,257	46,806
Gurabo	5,585	1,363	6,947	5,697	991	6,687	5,808	1,001	6,809	5,920	1,015	6,936
Hatillo	6,469	1,369	7,838	6,591	1,004	7,595	6,712	1,015	7,727	6,833	1,030	7,863
Hormigueros	2,268	1,568	3,836	2,311	1,105	3,416	2,354	1,124	3,478	2,397	1,149	3,546
Humacao	12,793	809	13,602	13,042	757	13,799	13,291	750	14,041	13,539	755	14,295
Isabela	4,831	1,584	6,415	4,927	1,054	5,981	5,023	1,068	6,091	5,119	1,088	6,207
Jayuya	963	1,891	2,853	980	1,175	2,155	997	1,199	2,196	1,014	1,232	2,246
Juana Díaz	3,407	1,558	4,965	3,469	1,050	4,519	3,531	1,067	4,598	3,593	1,089	4,682

²³ Amount displayed as Advanced to Municipalities is grow (or before) withholding of ASES

²⁴ Amount shown for CW Transfer is the sum of the Equalization Fund and the Act 53-2021 Extraordinary Fund

	FY2024			FY2025			FY2026			FY2027		
	Net Base Taxes	CW Transfer	Advances to Munis	Net Base Taxes	CW Transfer	Advances to Munis	Net Base Taxes	CW Transfer	Advances to Munis	Net Base Taxes	CW Transfer	Advances to Munis
Total	\$574,347	\$143,420	\$717,767	\$585,286	\$100,684	\$685,970	\$596,226	\$102,171	\$698,397	\$607,165	\$104,242	\$711,408
Juncos	4,137	1,831	5,968	4,218	1,285	5,503	4,298	1,305	5,603	4,379	1,331	5,710
Lajas	2,165	1,806	3,970	2,204	1,180	3,384	2,243	1,201	3,444	2,281	1,230	3,512
Lares	1,627	2,549	4,176	1,660	1,652	3,312	1,692	1,685	3,377	1,725	1,728	3,453
Las Marías	353	2,208	2,561	363	1,451	1,814	373	1,481	1,854	383	1,520	1,903
Las Piedras	3,928	1,398	5,326	3,999	981	4,980	4,069	995	5,065	4,140	1,014	5,155
Loíza	1,485	2,705	4,190	1,515	1,742	3,257	1,545	1,777	3,321	1,574	1,823	3,397
Luquillo	3,184	1,343	4,526	3,244	917	4,161	3,304	930	4,235	3,365	949	4,314
Manatí	6,652	1,483	8,135	6,780	1,073	7,853	6,907	1,085	7,992	7,035	1,101	8,135
Maricao	270	1,761	2,031	278	1,170	1,448	286	1,194	1,480	294	1,226	1,519
Maunabo	574	2,329	2,903	587	1,523	2,111	600	1,554	2,155	613	1,595	2,209
Mayagüez	17,111	884	17,996	17,427	822	18,249	17,743	811	18,554	18,058	817	18,875
Moca	2,847	2,240	5,088	2,898	1,476	4,373	2,948	1,502	4,451	2,999	1,538	4,537
Morovis	1,547	2,766	4,313	1,576	1,799	3,375	1,605	1,834	3,440	1,635	1,882	3,517
Naguabo	2,131	1,864	3,995	2,171	1,208	3,379	2,210	1,230	3,440	2,249	1,261	3,510
Naranjito	1,800	2,907	4,707	1,835	1,908	3,744	1,870	1,946	3,816	1,905	1,995	3,901
Orocovis	1,299	2,872	4,171	1,325	1,828	3,154	1,352	1,865	3,217	1,378	1,915	3,293
Patillas	803	2,162	2,965	822	1,401	2,222	840	1,429	2,269	858	1,467	2,324
Peñuelas	3,027	1,557	4,585	3,080	1,039	4,119	3,134	1,056	4,190	3,187	1,079	4,266
Ponce	25,390	1,136	26,526	25,862	1,093	26,955	26,333	1,113	27,447	26,805	1,134	27,939
Quebradillas	1,856	2,123	3,979	1,891	1,409	3,300	1,925	1,436	3,361	1,959	1,471	3,430
Rincón	2,095	1,804	3,899	2,138	1,214	3,352	2,182	1,235	3,417	2,225	1,264	3,489
Río Grande	7,343	668	8,011	7,481	597	8,079	7,620	596	8,216	7,759	595	8,354
Sabana Grande	1,494	1,972	3,466	1,523	1,283	2,805	1,551	1,307	2,859	1,580	1,340	2,921
Salinas	1,984	1,970	3,955	2,021	1,270	3,291	2,058	1,293	3,351	2,094	1,326	3,420
San Germán	3,516	1,644	5,160	3,579	1,121	4,700	3,643	1,139	4,781	3,706	1,163	4,869
San Juan	131,456	2,566	134,022	133,844	2,615	136,459	136,232	2,664	138,896	138,620	2,712	141,332
San Lorenzo	3,335	2,025	5,360	3,393	1,322	4,716	3,451	1,345	4,797	3,509	1,377	4,886
San Sebastián	4,162	1,883	6,045	4,240	1,272	5,512	4,319	1,292	5,610	4,397	1,319	5,716
Santa Isabel	2,441	1,597	4,038	2,484	1,055	3,539	2,528	1,074	3,602	2,571	1,100	3,671
Toa Alta	4,365	2,161	6,526	4,460	1,566	6,026	4,556	1,589	6,145	4,652	1,619	6,271
Toa Baja	10,750	1,334	12,084	10,971	1,179	12,150	11,192	1,185	12,378	11,414	1,192	12,605
Trujillo Alto	7,659	1,727	9,387	7,805	1,371	9,175	7,950	1,385	9,335	8,095	1,403	9,499
Utuado	1,837	2,543	4,379	1,869	1,623	3,492	1,901	1,655	3,556	1,933	1,698	3,631
Vega Alta	4,582	1,651	6,233	4,672	1,154	5,826	4,762	1,170	5,932	4,852	1,192	6,044
Vega Baja	6,754	1,058	7,812	6,861	834	7,695	6,967	842	7,809	7,073	852	7,925
Vieques	849	1,849	2,698	870	1,318	2,189	891	1,344	2,235	913	1,375	2,288
Villalba	970	2,746	3,716	991	1,764	2,755	1,013	1,799	2,812	1,034	1,847	2,882
Yabucoa	2,098	2,159	4,257	2,136	1,404	3,540	2,173	1,430	3,604	2,211	1,466	3,677
Yauco	3,414	1,853	5,267	3,481	1,227	4,708	3,548	1,247	4,795	3,616	1,274	4,890

Appendix 15: Disparity in Revenue Capacity Between Municipalities (FY2021)²⁵

(Dollars in thousands)

	General Fund ("GF") Budget	Equalization Fund	CW Transfer as % of total GF Budget	Est. Population (2020 Census)	Per capita GF budget (\$ actual)
Total	\$2,042,460	\$129,892	6.4%	3,285,874	\$622
Adjuntas	4,441	2,528	56.9%	18,020	246
Aguada	9,727	2,192	22.5%	38,136	255
Aguadilla	20,342	563	2.8%	55,101	369
Aguas Buenas	6,652	2,570	38.6%	24,223	275
Aibonito	8,555	2,131	24.9%	24,637	347
Añasco	11,057	1,727	15.6%	25,596	432
Arecibo	45,841	297	0.6%	87,754	522
Arroyo	8,784	2,307	26.3%	15,843	554
Barceloneta	26,470	1,530	5.8%	22,657	1,168
Barranquitas	8,280	3,162	38.2%	28,983	286
Bayamon	127,422	-	0.0%	185,187	688
Cabo Rojo	17,531	-	0.0%	47,158	372
Caguas	90,980	376	0.4%	127,244	715
Camuy	12,249	2,518	20.6%	32,827	373
Canovanas	23,236	1,592	6.8%	42,337	549
Carolina	78,341	781	1.0%	154,815	506
Cataño	36,742	2,706	7.4%	23,155	1,587
Cayey	28,727	382	1.3%	41,652	690
Ceiba	8,585	1,974	23.0%	11,307	759
Ciales	7,923	2,156	27.2%	16,984	466
Cidra	15,004	1,304	8.7%	39,970	375
Coamo	11,153	2,248	20.2%	34,668	322
Comerio	6,401	3,333	52.1%	18,883	339
Corozal	9,535	2,961	31.1%	34,571	276
Culebra	3,474	938	27.0%	1,792	1,939
Dorado	29,553	-	0.0%	35,879	824
Fajardo	20,798	722	3.5%	32,124	647
Florida	6,171	2,496	40.4%	11,692	528
Guanica	5,141	2,339	45.5%	13,787	373
Guayama	19,753	436	2.2%	36,614	540
Guayanilla	6,167	2,102	34.1%	17,784	347
Guaynabo	125,495	-	0.0%	89,780	1,398
Gurabo	22,129	1,084	4.9%	40,622	545
Hatillo	20,805	1,091	5.2%	38,486	541
Hormigueros	7,766	1,439	18.5%	15,654	496
Humacao	42,353	-	0.0%	50,896	832
Isabela	16,123	1,554	9.6%	42,943	375
Jayuya	5,927	2,210	37.3%	14,779	401
Juana Diaz	12,545	1,577	12.6%	46,538	270

²⁵ General Fund budget as reported by the Puerto Rico Office of Management and Budget; budgeted amounts vary from actual revenue

	General Fund ("GF") Budget	Equalization Fund	CW Transfer as % of total GF Budget	Est. Population (2020 Census)	Per capita GF budget (\$ actual)
Total	\$2,042,460	\$129,892	6.4%	3,285,874	\$622
Juncos	28,729	1,671	5.8%	37,012	776
Lajas	10,021	1,920	19.2%	23,334	429
Lares	9,113	2,750	30.2%	28,105	324
Las Marias	6,767	2,351	34.7%	8,874	763
Las Piedras	13,459	1,257	9.3%	35,180	383
Loiza	7,668	2,972	38.8%	23,693	324
Luquillo	7,687	1,274	16.6%	17,781	432
Manati	29,598	1,216	4.1%	39,492	749
Maricao	4,544	1,848	40.7%	4,755	956
Maunabo	6,071	2,493	41.1%	10,589	573
Mayaguez	61,591	115	0.2%	73,077	843
Moca	9,325	2,318	24.9%	37,460	249
Morovis	9,866	2,981	30.2%	28,727	343
Naguabo	8,261	2,003	24.2%	23,386	353
Naranjito	8,350	3,071	36.8%	29,241	286
Orocovis	7,002	3,189	45.6%	21,434	327
Patillas	8,825	2,335	26.5%	15,985	552
Peñuelas	15,817	1,638	10.4%	20,399	775
Ponce	92,343	146	0.2%	137,491	672
Quebradillas	7,301	2,183	29.9%	23,638	309
Rincon	7,160	1,794	25.1%	15,187	471
Rio Grande	16,448	172	1.0%	47,060	350
Sabana Grande	8,977	2,118	23.6%	22,729	395
Salinas	9,691	2,152	22.2%	25,789	376
San German	14,589	1,621	11.1%	31,879	458
San Juan	455,500	-	0.0%	342,259	1,331
San Lorenzo	13,854	2,161	15.6%	37,693	368
San Sebastian	14,119	1,847	13.1%	39,345	359
Santa Isabel	11,385	1,676	14.7%	20,281	561
Toa Alta	13,949	1,757	12.6%	66,852	209
Toa Baja	37,253	343	0.9%	75,293	495
Trujillo Alto	25,305	1,074	4.2%	67,740	374
Utuado	9,282	2,828	30.5%	28,287	328
Vega Alta	12,131	1,544	12.7%	35,395	343
Vega Baja	14,522	794	5.5%	54,414	267
Vieques	13,132	1,632	12.4%	8,249	1,592
Villalba	14,579	3,037	20.8%	22,093	660
Yabucoa	15,774	2,347	14.9%	30,426	518
Yauco	14,296	1,938	13.6%	34,172	418

Appendix 16. Repayment of FY2020 PayGo and ASES by Municipality²⁶

(Dollars in actuals)

FY2020 PayGo Repayments

FY2020 Billed Amount	Payments							FY20 Outstanding PayGo Debt	
	CW Transfer	Act 253-2018 Funds	Lottery Proceeds	Excess CAE	Year-end Liquidation	Direct Muni Payments	Total Payments		
Total	\$165,734,029	(\$129,223,016)	(\$5,901,071)	(\$4,105,528)	(\$5,311,321)	(\$12,553,911)	(\$8,639,173)	(\$165,734,020)	\$0
Adjuntas	749,221	(542,243)	(4,270)	-	-	-	(202,709)	(749,221)	-
Aguada	1,133,578	(825,150)	-	(13,925)	(294,503)	-	-	(1,133,578)	-
Aguadilla	2,362,178	(1,699,056)	(54,155)	(33,071)	-	(371,770)	(204,126)	(2,362,177)	-
Aguas Buenas	498,484	(378,131)	-	-	-	-	(120,353)	(498,484)	-
Aibonito	419,762	(257,918)	-	(86,621)	-	-	(75,224)	(419,763)	-
Añasco	518,895	(387,567)	(58,257)	-	(73,071)	-	-	(518,895)	-
Arecibo	3,500,446	(2,596,841)	(715,152)	(188,453)	-	-	-	(3,500,446)	-
Arroyo	302,407	(251,372)	(45,902)	-	-	-	(5,132)	(302,406)	-
Barceloneta	587,318	(318,737)	(268,581)	-	-	-	-	(587,318)	-
Barranquitas	915,210	(591,151)	(2,512)	-	-	-	(321,546)	(915,209)	-
Bayamon	5,538,340	(3,896,567)	(1,641,773)	-	-	-	-	(5,538,340)	-
Cabo Rojo	1,218,105	(922,571)	-	(43,564)	-	(69,811)	(182,159)	(1,218,105)	-
Caguas	6,968,773	(5,704,158)	-	(230,823)	(1,033,792)	-	-	(6,968,773)	-
Camuy	897,000	(654,480)	-	-	(242,520)	-	-	(897,000)	-
Canovanas	1,463,921	(1,027,604)	-	-	-	(290,255)	(146,062)	(1,463,921)	-
Carolina	9,286,142	(7,269,991)	-	(2,016,151)	-	-	-	(9,286,142)	-
Cataño	1,764,535	(1,470,864)	(67,819)	-	-	(91,000)	(134,852)	(1,764,535)	-
Cayey	1,669,631	(1,229,385)	-	-	-	-	(440,246)	(1,669,631)	-
Ceiba	689,464	(505,960)	(96,446)	-	(87,058)	-	-	(689,463)	-
Ciales	558,207	(426,042)	-	(5,690)	(126,474)	-	-	(558,206)	-
Cidra	1,342,473	(1,018,501)	(82,815)	(225,009)	-	-	(16,148)	(1,342,473)	-
Coamo	744,155	(564,974)	-	-	-	-	-	(744,155)	-
Comerio	756,853	(481,572)	(25,953)	-	-	-	(249,327)	(756,853)	-
Corozal	688,450	(522,203)	(1,080)	-	(165,166)	-	-	(688,450)	-
Culebra	188,806	(141,028)	-	(12,746)	-	-	(35,031)	(188,805)	-
Dorado	1,347,601	(842,078)	(34,429)	0	(253,058)	-	(218,036)	(1,347,601)	-
Fajardo	1,048,616	(838,228)	(127,922)	(53,371)	(29,095)	-	-	(1,048,616)	-
Florida	252,129	(203,996)	-	-	(48,133)	-	-	(252,129)	-
Guanica	168,244	(120,873)	-	-	-	-	(47,371)	(168,244)	-
Guayama	444,732	(444,732)	-	-	-	-	-	(444,732)	-
Guayanilla	882,855	(644,390)	(11,497)	-	-	-	(226,967)	(882,855)	-
Guaynabo	8,660,614	(7,213,947)	-	-	-	(1,223,154)	(223,513)	(8,660,614)	-
Gurabo	687,348	(542,588)	(144,760)	-	-	-	-	(687,348)	-
Hatillo	778,547	(581,926)	(196,621)	-	-	-	-	(778,547)	-
Hormigueros	893,743	(646,176)	(394)	-	-	(58,997)	(188,176)	(893,743)	-
Humacao	2,061,471	(1,609,096)	(214,388)	-	-	-	(237,986)	(2,061,470)	-
Isabela	1,052,957	(683,683)	-	(5,274)	-	-	(363,999)	(1,052,956)	-
Jayuya	355,192	(281,669)	-	-	-	-	(73,524)	(355,193)	-
Juana Diaz	756,737	(562,208)	-	(194,529)	-	-	-	(756,737)	-

²⁶ PayGo debt outstanding is based on the invoices sent by ERS on March 2021 adjusted for incremental payments made by CRIM on behalf of the Municipalities from the year-end liquidation proceeds; Healthcare debt outstanding is based on the March 2021 reporting from ASES

FY2020 Billed Amount	Payments							FY20 Outstanding PayGo Debt	
	CW Transfer	Act 253-2018 Funds	Lottery Proceeds	Excess CAE	Year-end Liquidation	Direct Muni Payments	Total Payments		
Total	\$165,734,029	(\$129,223,016)	(\$5,901,071)	(\$4,105,528)	(\$5,311,321)	(\$12,553,911)	(\$8,639,173)	(\$165,734,020)	\$0
Juncos	763,915	(442,043)	(32,515)	(289,357)	-	-	-	(763,915)	-
Lajas	851,976	(618,704)	-	-	-	-	(233,272)	(851,976)	-
Lares	960,238	(707,246)	-	-	-	-	(252,992)	(960,238)	-
Las Marias	613,558	(449,948)	-	(2,100)	-	-	(161,510)	(613,558)	-
Las Piedras	710,598	(476,290)	-	-	-	(234,307)	-	(710,597)	-
Loiza	485,579	(385,619)	(25,571)	-	-	-	(74,389)	(485,579)	-
Luquillo	738,722	(495,141)	-	-	(239,573)	(4,008)	-	(738,721)	-
Manati	750,360	(493,861)	(170,643)	(85,856)	-	-	-	(750,360)	-
Maricao	508,527	(373,602)	-	-	(121,332)	(11,068)	(2,524)	(508,526)	-
Maunabo	525,129	(379,161)	(68,356)	-	-	-	(77,612)	(525,129)	-
Mayaguez	4,624,016	(3,519,343)	-	-	-	-	(1,104,672)	(4,624,015)	-
Moca	428,677	(256,893)	(114,801)	-	-	-	(56,983)	(428,677)	-
Morovis	1,062,188	(765,318)	(100,648)	(14,719)	(173,715)	-	(7,787)	(1,062,187)	-
Naguabo	345,540	(237,537)	(48,411)	(59,591)	-	-	-	(345,539)	-
Naranjito	840,802	(614,058)	-	(34,674)	-	(90,336)	(101,734)	(840,802)	-
Orocovis	390,396	(309,261)	-	-	(70,023)	-	(11,112)	(390,396)	-
Patillas	695,507	(505,290)	(61,472)	-	-	-	(128,744)	(695,507)	-
Peñuelas	1,224,523	(887,029)	(166,642)	-	-	-	(170,852)	(1,224,523)	-
Ponce	7,792,057	(6,534,130)	-	-	-	(495,683)	(762,245)	(7,792,057)	-
Quebradillas	684,426	(509,822)	(149,838)	(21,201)	-	-	(3,565)	(684,426)	-
Rincon	491,012	(371,578)	(42,746)	(23,018)	-	-	(53,670)	(491,012)	-
Rio Grande	1,381,931	(1,036,942)	(278,305)	-	(66,684)	-	-	(1,381,931)	-
Sabana Grande	778,054	(556,091)	(800)	-	(221,164)	-	-	(778,054)	-
Salinas	738,150	(557,124)	(38,488)	-	-	(110,527)	(32,011)	(738,150)	-
San German	1,329,897	(995,682)	-	(17,256)	(130,659)	-	(186,300)	(1,329,897)	-
San Juan	56,204,804	(46,213,982)	-	(249,107)	-	(9,428,473)	(313,243)	(56,204,805)	-
San Lorenzo	213,975	(213,975)	-	-	-	-	-	(213,975)	-
San Sebastian	1,614,515	(1,176,028)	-	(971)	(400,287)	-	(37,228)	(1,614,514)	-
Santa Isabel	908,499	(648,419)	(99,279)	(31,451)	-	-	(129,349)	(908,498)	-
Toa Alta	795,662	(638,078)	-	-	(157,584)	-	-	(795,662)	-
Toa Baja	3,786,141	(2,754,553)	(187,037)	(102,656)	(741,895)	-	-	(3,786,141)	-
Trujillo Alto	1,816,135	(1,330,609)	-	(11,965)	(473,561)	-	-	(1,816,135)	-
Utua	1,231,376	(888,963)	-	-	-	-	(342,413)	(1,231,376)	-
Vega Alta	790,032	(626,377)	(103,047)	-	(60,607)	-	-	(790,032)	-
Vega Baja	1,595,152	(1,177,322)	-	(23,444)	-	-	(394,386)	(1,595,152)	-
Vieques	751,353	(553,193)	(198,160)	-	-	-	-	(751,353)	-
Villalba	177,411	(135,452)	(41,958)	-	-	-	-	(177,410)	-
Yabucoa	750,345	(559,723)	(89,253)	-	(101,369)	-	-	(750,345)	-
Yauco	1,229,713	(928,970)	(88,373)	(28,935)	-	(74,523)	(108,912)	(1,229,713)	-

FY2020 Healthcare Repayments

	FY2020 Billed Amount	CW Transfer	Lottery Proceeds	Excess CAE	Year-end Liquidation	Direct Muni Payments	Total Payments	FY20 Outstanding ASES Debt
Total	\$31,562,835	(\$2,522,584)	(\$886,891)	(\$5,623,189)	(\$4,113,531)	(\$18,416,638)	(\$31,562,833)	\$0
Adjuntas	59,774	-	-	(59,774)	-	-	(59,774)	-
Aguada	97,499	-	-	(97,499)	-	-	(97,499)	-
Aguadilla	172,717	-	-	-	-	(172,717)	(172,717)	-
Aguas Buenas	65,665	-	-	-	(65,665)	-	(65,665)	-
Aibonito	71,073	(68,562)	-	-	(2,511)	-	(71,073)	-
Añasco	59,333	-	-	(59,333)	-	-	(59,333)	-
Arecibo	424,323	(32,607)	-	(390,522)	(1,195)	-	(424,324)	-
Arroyo	72,627	-	-	-	-	(72,627)	(72,627)	-
Barceloneta	227,224	(219,195)	-	-	(8,029)	-	(227,224)	-
Barranquitas	67,579	(65,191)	-	-	(2,388)	-	(67,579)	-
Bayamon	2,109,893	(1,186,335)	(880,104)	-	(43,455)	-	(2,109,894)	-
Cabo Rojo	158,319	-	-	-	(158,319)	-	(158,319)	-
Caguas	1,541,509	-	-	(739,034)	(802,474)	-	(1,541,509)	-
Camuy	79,447	-	-	(79,447)	-	-	(79,447)	-
Canovanas	69,205	-	-	-	(69,205)	-	(69,205)	-
Carolina	1,560,273	-	-	-	(1,560,273)	-	(1,560,273)	-
Cataño	429,911	-	-	-	(429,911)	-	(429,911)	-
Cayey	164,542	-	-	(164,542)	-	-	(164,542)	-
Ceiba	65,400	-	-	(65,400)	-	-	(65,400)	-
Ciales	77,425	-	-	(77,425)	-	-	(77,425)	-
Cidra	177,073	-	-	-	(155,438)	(21,635)	(177,073)	-
Coamo	98,754	-	-	(98,754)	-	-	(98,754)	-
Comerio	78,005	(75,249)	-	-	-	(2,756)	(78,005)	-
Corozal	90,648	-	-	(85,214)	-	(5,434)	(90,648)	-
Culebra	21,601	-	-	(21,601)	-	-	(21,601)	-
Dorado	185,524	(178,968)	-	-	(6,555)	-	(185,523)	-
Fajardo	201,972	-	-	(194,081)	(7,891)	-	(201,972)	-
Florida	52,221	-	-	(52,221)	-	-	(52,221)	-
Guanica	70,319	(37,649)	-	-	(32,670)	-	(70,319)	-
Guayama	219,954	(757)	-	(219,169)	(28)	-	(219,954)	-
Guayanilla	78,539	-	-	-	-	(78,539)	(78,539)	-
Guaynabo	2,704,203	-	-	-	(169,272)	(2,534,931)	(2,704,203)	-
Gurabo	159,736	(24,294)	-	-	(135,442)	-	(159,736)	-
Hatillo	133,007	(28,032)	-	(103,949)	(1,026)	-	(133,007)	-
Hormigueros	70,315	-	-	-	-	(70,315)	(70,315)	-
Humacao	339,210	-	-	(178,688)	(160,522)	-	(339,210)	-
Isabela	66,958	(64,592)	-	-	(2,366)	-	(66,958)	-
Jayuya	65,041	-	-	(30,884)	(2,148)	(32,009)	(65,041)	-
Juana Diaz	146,563	(41,716)	-	(103,319)	(1,528)	-	(146,563)	-

	FY2020 Billed Amount	CW Transfer	Lottery Proceeds	Excess CAE	Year-end Liquidation	Direct Muni Payments	Total Payments	FY20 Outstanding ASES Debt
Total	\$31,562,835	(\$2,522,584)	(\$886,891)	(\$5,623,189)	(\$4,113,531)	(\$18,416,638)	(\$31,562,833)	\$0
Juncos	212,244	(204,744)	-	-	(7,499)	-	(212,243)	-
Lajas	71,096	-	-	(71,096)	-	-	(71,096)	-
Lares	94,933	-	-	(94,933)	-	-	(94,933)	-
Las Marias	57,739	-	-	-	-	(57,739)	(57,739)	-
Las Piedras	-	-	-	-	-	-	-	-
Loiza	89,743	-	-	-	-	(89,743)	(89,743)	-
Luquillo	-	-	-	-	-	-	-	-
Manati	182,575	(126,809)	-	-	(55,766)	-	(182,575)	-
Maricao	48,867	-	-	-	-	(48,867)	(48,867)	-
Maunabo	40,558	-	-	-	-	(40,558)	(40,558)	-
Mayaguez	626,646	-	-	(626,646)	-	-	(626,646)	-
Moca	92,302	(89,040)	-	-	(3,261)	-	(92,301)	-
Morovis	79,624	-	-	(79,624)	-	-	(79,624)	-
Naguabo	50,618	(27,005)	-	(22,624)	(989)	-	(50,618)	-
Naranjito	75,337	-	-	-	-	(75,337)	(75,337)	-
Orocovis	71,005	-	-	(3,902)	(4,010)	(63,092)	(71,005)	-
Patillas	58,358	-	-	-	-	(58,358)	(58,358)	-
Peñuelas	98,874	-	-	-	-	(98,874)	(98,874)	-
Ponce	1,956,495	-	-	-	-	(1,956,495)	(1,956,495)	-
Quebradillas	76,200	-	-	(76,200)	-	-	(76,200)	-
Rincon	63,362	-	-	(63,362)	-	-	(63,362)	-
Rio Grande	165,128	-	-	(165,128)	-	-	(165,128)	-
Sabana Grande	51,601	-	-	(51,601)	-	-	(51,601)	-
Salinas	93,048	-	-	-	(57,904)	(35,143)	(93,047)	-
San German	155,604	-	-	(155,604)	-	-	(155,604)	-
San Juan	12,743,846	-	-	-	-	(12,743,846)	(12,743,846)	-
San Lorenzo	123,421	(11,740)	-	(111,251)	(430)	-	(123,421)	-
San Sebastian	140,053	-	-	-	(140,053)	-	(140,053)	-
Santa Isabel	58,906	-	-	(58,906)	-	-	(58,906)	-
Toa Alta	156,315	-	-	(156,315)	-	-	(156,315)	-
Toa Baja	323,496	-	-	(323,496)	-	-	(323,496)	-
Trujillo Alto	169,059	-	-	(143,857)	(25,202)	-	(169,059)	-
Utua	94,906	-	-	(94,906)	-	-	(94,906)	-
Vega Alta	144,488	-	-	(144,488)	-	-	(144,488)	-
Vega Baja	161,346	-	-	(161,346)	-	-	(161,346)	-
Vieques	78,383	(2,848)	(6,787)	(68,644)	(105)	-	(78,384)	-
Villalba	82,289	(37,251)	-	(43,673)	-	(1,365)	(82,289)	-
Yabucoa	84,731	-	-	(84,731)	-	-	(84,731)	-
Yauco	156,258	-	-	-	-	(156,258)	(156,258)	-

Note: Numbers may not add up due to rounding

Appendix 17: FY2018 – FY2021 PayGo Debt Outstanding by Municipality²⁷

(Dollars in thousands)

	FY2018	FY2019	FY2020	FY2021	FY2021 Payment Plan	Total Debt
Total	\$13,713	\$69,572	\$0	\$59,186		\$142,471
Adjuntas	-	-	-	-		-
Aguada	-	-	-	-		-
Aguadilla	-	-	-	-		-
Aguas Buenas	-	-	-	-		-
Aibonito	-	-	-	-		-
Añasco	-	-	-	-		-
Arecibo	896	2,600	-	-		3,496
Arroyo	-	-	-	-		-
Barceloneta	-	-	-	-		-
Barranquitas	-	-	-	-		-
Bayamón	-	-	-	-		-
Cabo Rojo	-	618	-	-		618
Caguas	737	-	-	1,166	Yes	1,903
Camuy	-	-	-	-		-
Canóvanas	15	-	-	-		15
Carolina	-	-	-	-		-
Cataño	-	-	-	-		-
Cayey	-	-	-	-		-
Ceiba	-	111	-	-		111
Ciales	-	-	-	-		-
Cidra	-	-	-	-		-
Coamo	-	-	-	-		-
Comerío	-	-	-	-		-
Corozal	-	-	-	-		-
Culebra	-	-	-	-		-
Dorado	-	-	-	-		-
Fajardo	-	-	-	-		-
Florida	-	-	-	-		-
Guánica	-	-	-	-		-
Guayama	-	-	-	-		-
Guayanilla	241	-	-	449	No	690
Guaynabo	-	-	-	1,187	Yes	1,187
Gurabo	-	-	-	-		-
Hatillo	-	-	-	-		-
Hormigueros	-	-	-	-		-
Humacao	-	-	-	-		-
Isabela	-	-	-	-		-
Jayuya	-	-	-	-		-
Juana Díaz	-	-	-	-		-

²⁷ AAFAF PayGo 6(a) Report by Entity for the month of January 2022

	FY2018	FY2019	FY2020	FY2021	FY2021 Payment Plan	Total Debt
Total	\$13,713	\$69,572	\$0	\$59,186		\$142,471
Juncos	-	-	-	-		-
Lajas	-	-	-	-		-
Lares	-	-	-	-		-
Las Marías	231	-	-	262	Yes	493
Las Piedras	-	-	-	-		-
Loíza	-	-	-	-		-
Luquillo	-	-	-	-		-
Manatí	-	-	-	-		-
Maricao	285	495	-	292	Pending	1,071
Maunabo	6	364	-	345	No	716
Mayagüez	-	2,579	-	-		2,579
Moca	-	-	-	-		-
Morovis	-	-	-	-		-
Naguabo	-	-	-	-		-
Naranjito	-	-	-	-		-
Orocovis	-	-	-	-		-
Patillas	-	400	-	520	Pending	920
Peñuelas	486	-	-	-		486
Ponce	-	3,128	-	-		3,128
Quebradillas	-	-	-	-		-
Rincón	-	-	-	-		-
Río Grande	73	558	-	-		631
Sabana Grande	127	-	-	-		127
Salinas	-	-	-	-		-
San Germán	-	-	-	-		-
San Juan	7,591	56,026	-	54,964	Yes	118,581
San Lorenzo	-	-	-	-		-
San Sebastián	-	-	-	-		-
Santa Isabel	192	899	-	-		1,091
Toa Alta	-	-	-	-		-
Toa Baja	2,833	1,794	-	-		4,627
Trujillo Alto	-	-	-	-		-
Utuado	-	-	-	-		-
Vega Alta	-	-	-	-		-
Vega Baja	-	-	-	-		-
Vieques	-	-	-	-		-
Villalba	-	-	-	-		-
Yabucoa	-	-	-	-		-
Yauco	-	-	-	-		-

Appendix 18: Projected Municipal PayGo Debt for FY2023 to FY2027

(Dollars in thousands)

	FY2023	FY2024	FY2025	FY2026	FY2027
Total	\$160,904	\$161,377	\$161,463	\$161,700	\$161,565
Adjuntas	727	711	689	671	644
Aguada	1,118	1,148	1,183	1,206	1,238
Aguadilla	2,221	2,260	2,263	2,284	2,290
Aguas Buenas	439	433	433	427	427
Aibonito	358	373	385	408	421
Añasco	470	464	453	438	438
Arecibo	3,279	3,312	3,302	3,310	3,289
Arroyo	336	335	344	370	379
Barceloneta	592	611	665	714	771
Barranquitas	838	838	844	846	840
Bayamon	8,485	8,397	8,332	8,174	8,079
Cabo Rojo	1,291	1,330	1,339	1,387	1,390
Caguas	6,575	6,564	6,568	6,553	6,510
Camuy	821	846	854	865	881
Canovanas	1,392	1,385	1,363	1,346	1,348
Carolina	9,080	9,218	9,417	9,574	9,697
Cataño	1,729	1,823	1,881	1,952	2,016
Cayey	1,609	1,606	1,606	1,643	1,642
Ceiba	673	678	694	692	723
Ciales	514	533	546	584	582
Cidra	1,318	1,357	1,364	1,397	1,420
Coamo	681	679	671	680	667
Comerio	717	702	695	681	665
Corozal	682	673	666	670	684
Culebra	172	165	159	162	152
Dorado	1,306	1,334	1,383	1,397	1,424
Fajardo	1,028	1,014	1,030	1,020	1,036
Florida	240	235	247	252	257
Guanica	133	152	163	179	196
Guayama	395	466	505	572	634
Guayanilla	811	793	761	735	720
Guaynabo	8,002	7,972	7,910	7,859	7,736
Gurabo	676	659	658	639	655
Hatillo	722	755	790	826	855
Hormigueros	742	759	769	794	786
Humacao	2,050	2,094	2,176	2,199	2,281
Isabela	982	972	987	1,005	994
Jayuya	387	424	435	468	476
Juana Diaz	695	738	786	867	849

	FY2023	FY2024	FY2025	FY2026	FY2027
Total	\$160,904	\$161,377	\$161,463	\$161,700	\$161,565
Juncos	732	778	806	827	856
Lajas	796	852	876	915	950
Lares	954	945	937	916	906
Las Marias	576	579	565	556	546
Las Piedras	702	715	752	811	832
Loiza	471	476	489	498	510
Luquillo	703	706	693	700	692
Manati	668	672	676	696	710
Maricao	483	472	482	477	480
Maunabo	502	512	512	510	513
Mayaguez	4,507	4,532	4,492	4,503	4,517
Moca	395	410	427	449	454
Morovis	999	975	956	977	938
Naguabo	342	355	362	370	390
Naranjito	783	790	814	815	825
Orocovis	379	389	400	411	419
Patillas	672	687	687	692	698
Peñuelas	1,093	1,096	1,085	1,096	1,084
Ponce	7,487	7,593	7,633	7,648	7,721
Quebradillas	652	672	690	711	721
Rincon	461	489	509	524	544
Rio Grande	1,264	1,305	1,344	1,380	1,393
Sabana Grande	735	726	724	711	705
Salinas	692	701	714	716	722
San German	1,261	1,256	1,254	1,242	1,254
San Juan	53,505	53,021	52,420	51,842	51,289
San Lorenzo	163	189	180	192	185
San Sebastian	1,568	1,529	1,486	1,453	1,425
Santa Isabel	845	821	809	792	783
Toa Alta	753	782	798	819	823
Toa Baja	3,618	3,572	3,523	3,497	3,455
Trujillo Alto	1,805	1,859	1,899	1,940	1,983
Utua	1,134	1,122	1,136	1,112	1,107
Vega Alta	713	743	745	744	749
Vega Baja	1,481	1,486	1,457	1,453	1,441
Vieques	741	764	770	773	768
Villalba	159	170	203	224	241
Yabucoa	705	715	736	738	738
Yauco	1,124	1,114	1,107	1,124	1,106

Appendix 19: Projected Municipal ASES Debt for FY2022

(Dollars in actuals)

	Statutory Obligation (per Act 72-1993)	Actual Obligation (reflecting Federal aid)	Municipal Relief
Total	\$163,675,430	\$123,298,859	(\$40,376,571)
Adjuntas	222,051	167,212	(54,839)
Aguada	486,333	366,225	(120,107)
Aguadilla	1,220,537	919,107	(301,430)
Aguas Buenas	332,016	250,020	(81,996)
Aibonito	359,359	270,610	(88,749)
Añasco	300,000	225,911	(74,089)
Arecibo	2,145,456	1,615,603	(529,852)
Arroyo	367,214	276,525	(90,689)
Barceloneta	1,148,888	865,153	(283,735)
Barranquitas	341,693	257,307	(84,386)
Bayamon	10,668,000	8,033,377	(2,634,623)
Cabo Rojo	800,489	602,796	(197,693)
Caguas	7,794,147	5,869,265	(1,924,881)
Camuy	401,696	302,491	(99,205)
Canovanas	685,929	516,529	(169,400)
Carolina	7,834,072	5,899,331	(1,934,742)
Cataño	2,173,707	1,636,877	(536,830)
Cayey	831,955	626,491	(205,464)
Ceiba	330,672	249,008	(81,665)
Ciales	396,149	298,314	(97,835)
Cidra	900,265	677,931	(222,334)
Coamo	499,317	376,003	(123,314)
Comerio	320,069	241,023	(79,046)
Corozal	458,331	345,139	(113,192)
Culebra	109,216	82,244	(26,973)
Dorado	938,040	706,377	(231,663)
Fajardo	1,021,209	769,006	(252,203)
Florida	264,041	198,832	(65,209)
Guanica	257,035	193,556	(63,479)
Guayama	1,112,127	837,470	(274,656)
Guayanilla	308,333	232,186	(76,148)
Guaynabo	13,672,936	10,296,200	(3,376,737)
Gurabo	807,653	608,191	(199,462)
Hatillo	672,508	506,422	(166,086)
Hormigueros	355,528	267,725	(87,803)
Humacao	1,715,105	1,291,534	(423,571)
Isabela	338,552	254,941	(83,610)
Jayuya	296,346	223,159	(73,187)
Juana Diaz	741,049	558,036	(183,013)

	Statutory Obligation (per Act 72-1993)	Actual Obligation (reflecting Federal aid)	Municipal Relief
Total	\$163,675,430	\$123,298,859	(\$40,376,571)
Juncos	1,073,141	808,113	(265,028)
Lajas	359,472	270,695	(88,777)
Lares	455,665	343,132	(112,533)
Las Marias	291,940	219,841	(72,099)
Las Piedras	-	-	-
Loiza	383,416	288,725	(94,690)
Luquillo	-	-	-
Manati	923,134	695,153	(227,982)
Maricao	227,218	171,103	(56,115)
Maunabo	205,067	154,422	(50,644)
Mayaguez	3,168,434	2,385,941	(782,492)
Moca	466,227	351,085	(115,142)
Morovis	402,593	303,166	(99,426)
Naguabo	255,933	192,726	(63,206)
Naranjito	380,918	286,845	(94,073)
Orocovis	350,091	263,631	(86,460)
Patillas	295,067	222,196	(72,871)
Peñuelas	499,925	376,461	(123,464)
Ponce	13,694,054	10,312,102	(3,381,952)
Quebradillas	365,039	274,887	(90,152)
Rincon	320,367	241,248	(79,119)
Rio Grande	834,916	628,721	(206,195)
Sabana Grande	207,702	156,407	(51,295)
Salinas	470,467	354,278	(116,189)
San German	786,763	592,460	(194,303)
San Juan	64,435,175	48,521,943	(15,913,233)
San Lorenzo	624,038	469,922	(154,116)
San Sebastian	708,133	533,249	(174,884)
Santa Isabel	297,838	224,283	(73,556)
Toa Alta	790,356	595,166	(195,190)
Toa Baja	1,825,381	1,420,106	(405,275)
Trujillo Alto	854,790	643,687	(211,103)
Utado	464,094	349,479	(114,615)
Vega Alta	727,887	548,125	(179,763)
Vega Baja	871,296	656,116	(215,180)
Vieques	396,321	298,444	(97,877)
Villalba	416,065	313,312	(102,754)
Yabucoa	428,413	322,610	(105,803)
Yauco	790,069	594,950	(195,119)

Appendix 20: Measures Targets by Municipality

(Dollars in thousands)

	Average Taxable Value of Property (\$ in actuals)	Tax Rate	Average Tax Payable (\$ in actuals)	Incorrect Mailing Address		New Properties Estimated Value	New Home Improvements Estimated Value	Non-appraised Properties		New Swimming Pools Estimated Value
				Number of Properties	Estimated Value			Number of Properties	Estimated Value	
Total	\$4,164		\$423	197,782	\$111,112	\$134,309	\$70,482	17,505	\$7,739	\$2,634
Adjuntas	\$2,595	8.33%	\$216	835	\$180	\$360	\$85	541	\$117	\$4
Aguada	3,027	8.83%	267	1,746	467	1,286	583	427	114	15
Aguadilla	4,555	10.33%	471	5,814	2,736	1,641	889	72	34	31
Aguas Buenas	3,059	10.33%	316	1,270	401	650	251	57	18	13
Aibonito	3,431	9.33%	320	884	283	792	235	137	44	12
Añasco	4,088	9.68%	396	1,668	660	804	441	518	205	8
Arecibo	4,279	11.63%	498	7,937	3,950	4,712	1,099	155	77	58
Arroyo	2,406	10.33%	249	1,315	327	886	161	1,092	271	7
Barceloneta	1,355	10.33%	140	1,239	173	788	424	959	134	7
Barranquitas	2,711	9.33%	253	606	153	1,597	107	139	35	16
Bayamón	5,923	9.58%	567	6,940	3,938	7,674	3,277	69	39	108
Cabo Rojo	4,325	10.08%	436	2,998	1,307	1,020	1,531	2	1	67
Caguas	6,729	10.33%	695	5,400	3,754	4,849	4,202	4	3	149
Camuy	2,574	10.33%	266	1,297	345	1,281	340	147	39	23
Canóvanas	5,158	10.33%	533	1,916	1,021	899	1,259	-	-	44
Carolina	7,380	11.33%	836	7,287	6,093	4,336	6,950	469	392	94
Cataño	5,958	10.33%	615	1,122	691	2,920	208	175	108	27
Cayey	5,404	10.58%	572	1,964	1,123	1,144	678	60	34	24
Ceiba	3,408	9.33%	318	896	285	305	276	15	5	6
Ciales	2,672	10.33%	276	801	221	641	107	22	6	10
Cidra	6,163	12.33%	760	1,542	1,172	1,237	883	221	168	34
Coamo	2,448	10.33%	253	1,581	400	991	550	119	30	23
Comerio	2,471	9.08%	224	479	107	823	56	43	10	6
Corozal	2,918	9.83%	287	996	286	1,590	187	39	11	15
Culebra	6,736	8.83%	595	160	95	114	60	2	1	5
Dorado	9,154	10.58%	968	1,721	1,667	1,348	2,033	1,416	1,371	113
Fajardo	7,546	10.33%	780	2,291	1,786	1,138	812	155	121	22
Florida	2,219	10.33%	229	429	98	408	82	157	36	4
Guánica	3,394	10.58%	359	728	261	457	79	66	24	7
Guayama	7,198	10.08%	726	2,996	2,174	1,964	982	822	596	22
Guayanilla	2,662	10.83%	288	843	243	1,395	85	15	4	6
Guaynabo	11,509	10.08%	1,160	9,351	10,848	4,518	2,911	171	198	161
Gurabo	5,164	11.83%	611	1,756	1,073	1,189	2,554	3	2	79
Hatillo	4,512	9.05%	408	1,527	624	1,306	610	151	62	28
Hormigueros	4,898	9.83%	481	505	243	344	297	273	131	5
Humacao	7,109	8.83%	628	2,980	1,871	2,109	1,054	-	-	42
Isabela	3,474	9.33%	324	6,311	2,046	619	803	79	26	23
Jayuya	3,305	8.08%	267	332	89	343	44	303	81	6
Juana Díaz	3,326	9.33%	310	2,060	639	1,556	709	40	12	25
Juncos	4,190	11.33%	475	3,574	1,697	937	412	813	386	24

	Average Taxable Value of Property (\$ in actuals)	Tax Rate	Average Tax Payable (\$ in actuals)	Number of Properties	Estimated Value	Estimated Value	Estimated Value	Number of Properties	Estimated Value	Estimated Value
Total	\$4,164		\$423	197,782	\$111,112	\$134,309	\$70,482	17,505	\$7,739	\$2,634
Lajas	3,104	12.33%	383	1,271	486	755	275	170	65	17
Lares	2,811	10.08%	283	1,102	312	1,017	142	31	9	7
Las Marías	2,628	8.18%	215	317	68	188	39	39	8	1
Las Piedras	4,009	10.33%	414	1,443	598	1,150	818	51	21	20
Loíza	3,682	11.73%	432	1,249	539	1,217	453	-	-	7
Luquillo	5,042	8.83%	445	1,270	565	545	290	220	98	18
Manatí	6,168	9.58%	591	2,094	1,237	1,559	721	21	12	34
Maricao	3,304	10.33%	341	163	56	151	17	157	54	1
Maunabo	2,530	9.83%	249	481	120	391	127	293	73	2
Mayagüez	6,377	10.58%	675	4,490	3,029	5,722	1,263	3	2	37
Moca	2,692	9.58%	258	1,547	399	1,011	537	4	1	14
Morovis	2,628	10.83%	285	811	231	1,332	350	17	5	16
Naguabo	3,139	9.83%	309	4,170	1,287	678	325	262	81	13
Naranjito	2,983	9.83%	293	4,452	1,305	1,144	160	-	-	11
Orocovis	3,085	8.03%	248	360	89	742	102	22	5	11
Patillas	2,457	10.33%	254	1,785	453	524	175	102	26	10
Peñuelas	2,388	8.58%	205	966	198	1,045	509	36	7	11
Ponce	5,438	12.33%	671	7,737	5,188	6,557	2,490	46	31	88
Quebradillas	2,754	8.83%	243	1,730	421	523	225	170	41	10
Rincón	4,442	10.83%	481	829	399	418	514	207	100	29
Río Grande	5,722	10.33%	591	2,287	1,352	857	1,793	151	89	47
Sabana Grande	2,400	10.33%	248	896	222	585	230	69	17	8
Salinas	3,160	10.33%	326	2,106	687	1,172	240	29	9	16
San Germán	3,483	10.08%	351	1,468	515	1,390	476	485	170	13
San Juan	11,027	10.33%	1,139	18,245	20,783	24,171	9,646	65	74	314
San Lorenzo	2,954	10.23%	302	1,387	419	1,130	564	-	-	21
San Sebastián	3,151	9.08%	286	2,068	592	813	557	61	17	12
Santa Isabel	2,978	10.83%	323	1,261	407	519	434	1,340	432	15
Toa Alta	3,249	11.33%	368	8,670	3,192	1,487	2,214	259	95	132
Toa Baja	4,347	11.83%	514	3,404	1,751	2,941	1,422	417	214	66
Trujillo Alto	4,887	10.58%	517	2,436	1,260	1,541	2,045	148	77	97
Utuado	2,660	8.83%	235	1,314	309	1,201	118	121	28	11
Vega Alta	5,956	8.68%	517	1,792	926	1,520	981	393	203	31
Vega Baja	3,941	10.33%	407	12,140	4,942	1,760	1,034	265	108	57
Vieques	3,077	10.83%	333	627	209	488	40	769	256	23
Villalba	2,586	9.58%	248	428	106	727	97	89	22	13
Yabucoa	2,902	10.83%	314	1,263	397	1,334	211	462	145	12
Yauco	3,210	10.33%	332	1,626	539	1,034	539	583	193	18