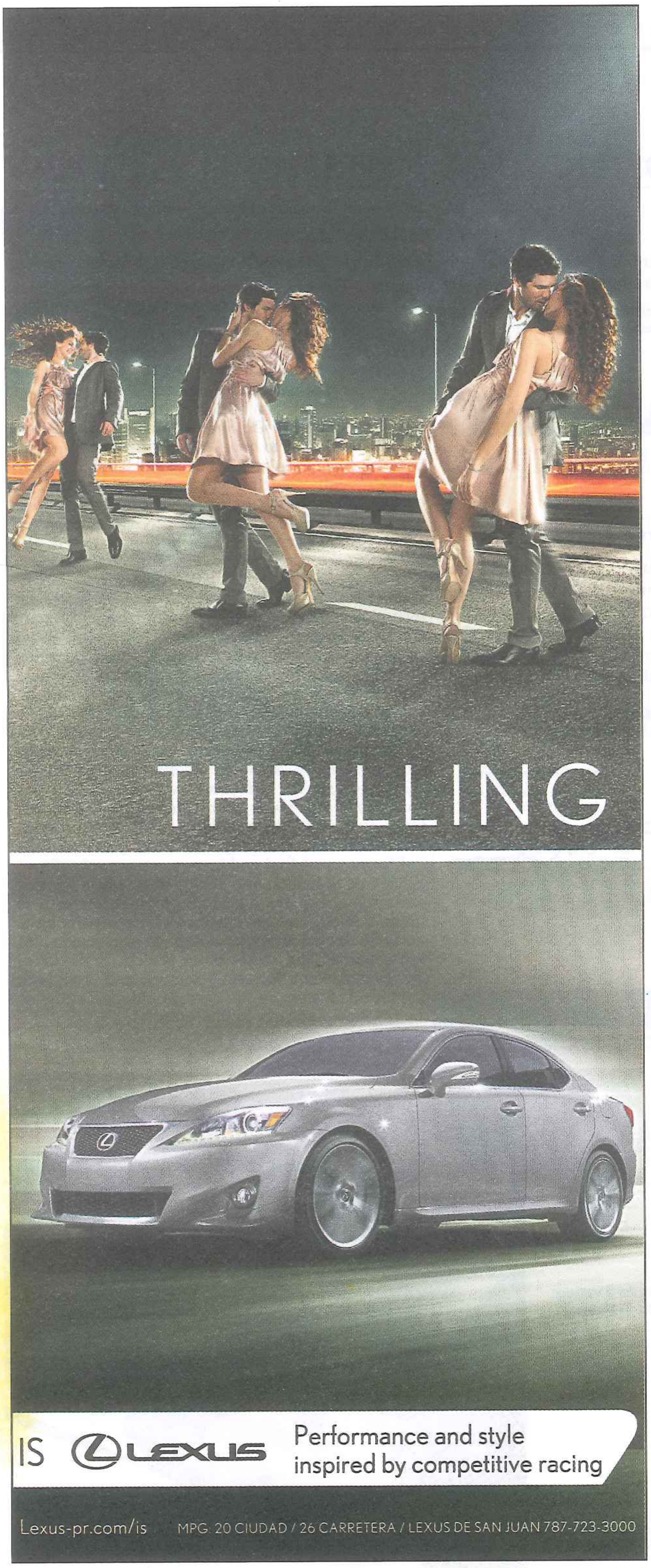

Tax Code overhaul broadens data banks must submit to Treasury

Amendment included over CofC objections; taxes raised on certain distilled spirits and wine

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Despite warnings issued months ago by the Puerto Rico Chamber of Commerce, lawmakers included an amendment to the Internal Revenue Code for a New Puerto Rico that will virtually allow the Treasury Department to recruit banks to obtain detailed financial information on taxpayers.

Lawmakers broadened the amount of financial information banks must report to the Treasury Department under the code's Section 1063.7, which regulates the content of a pair of tax documents, Information Returns on Extension of Credit Transactions and Affirmative Statements of Transactional Amounts.

In addition to information on the assets and income that a person or entity submits to a bank when requesting credit, the financial information submitted to the Treasury Department "will include, besides any details on the income reported by the applicant to the institution when opening an investment account, all information provided by the applicant related to the updates made to the account from time to time."

Article (h) of the code extends the protection against liability afforded to financial institutions for providing information to the Treasury Department to also cover "any intermediate financial institution that provides information to another financial institution in order to issue the Affirmative Statements on Transactional Amounts."

During House Treasury Committee hearings in May, the Chamber of Commerce said in written remarks from its legislative affairs adviser, Olga de la Torre, that the provisions hinder the constitutional right to privacy, strip banks of any incentive to protect clients' information and could cause people to open accounts in foreign banks.

"Dispositions such as the one suggested can punish or penalize a merchant/taxpayer who must renounce the right to privacy, even if he has been in full compliance with his tax obligation, just because some taxpayers don't reveal their income," she wrote. "Tax oversight is the exclusive responsibility of the Treasury, and banks shouldn't be recruited to report income on clients who open an account."

Despite the concerns, lawmakers kept the provisions. A reaction from the Banks Association couldn't be obtained at press time.

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>
> — Olga de la Torre, legislative affairs adviser, Chamber of Commerce

The amendments are among 200 changes introduced to the code, which was enacted in January. At press time, the United Retailers Association and the Chamber of Commerce were still analyzing the full impact of the amendments on retail and commerce.

The changes also will raise taxes on certain distilled spirits and wine and bring some benefits to soldiers in combat, individuals 65 and older, and large rum producers.

Kenneth Rivera, incoming president of the Certified Public Accountants Association, said that under the code, a person 65 or older who has a pension will be able to earn money from outside sources without losing his right to qualify for a tax credit.

"Now they are more flexible," he said. ■