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## **Puerto Rico Tax Shift to Legalize Slot Machines Outside Casinos.**

- **Lawmaker says bill to boost revenue by \$400 million annually**
- **Other provisions tax off island companies, including lawyers**

Puerto Rico's lawmakers approved legislation that would vastly overhaul taxation on the island, including through controversial provisions that legalize certain types of still-underground gambling.

The bill, which received final approval by the Senate late Tuesday, would also impose a 29 percent tax on non-island companies that provide services to the Puerto Rican government, including lawyers and financial consultants involved with the commonwealth's record setting bankruptcy. It now goes to Governor Ricardo Rossello for his signature.

The legislation would also reduce the corporate tax to 18.5 percent from 20 percent. But overall, the changes are projected to increase annual revenue by as much as \$400 million a year, in part due to other new forms of taxation, according to Carmelo Rios, majority leader in the Puerto Rican Senate.

With much of the overhaul widely supported, the recent debate has centered around a contentious provision to legalize slot machine-like gambling terminals outside of casinos. The bill allows for as many as 50,000 so-called video lottery machines, which lawmakers project will generate some \$100 million a year in revenue for the bankrupt U.S. commonwealth.

An estimated 25,000 such terminals are already operating illegally around the island in bars, supermarkets and even gas stations.

"These machines already exist and compete with our casinos," Senator Rios said Wednesday in a phone interview.

The island's federal oversight board — which was installed by the U.S. Congress to help chart Puerto Rico's fiscal turnaround — said before the vote that it hadn't seen evidence that the video lottery proposal wouldn't eat into other island revenue streams. The government currently allows for the operation of on-island casinos, an important part of the tourist economy and a significant generator of taxes, which go in part to the commonwealth's general account, as well as to the University of Puerto Rico and the Puerto Rico Tourism Company.

The bill allocates the lottery machine revenue to the police pension fund and municipal governments.

The 29 percent tax on the government's service providers — in addition to mainland federal taxes — is partially meant to encourage companies to set up shop locally with a local payroll, according to accountant Kenneth Rivera, a former head of the local chamber of commerce.

**Bloomberg Markets**

By Yalixa Rivera

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