

GENERAL FUND
US$13.2 bn
FY2026–27, certified June 2026

ALL FUNDS
US$33.6 bn
Consolidated, including federal funds

REVENUE 2025-26
US$13.9 bn
General Fund net revenue, actual

CARIBBEAN TAX SERVICE DESK · GREATER ANTILLES

Puerto Rico Budget Review 2026–27

What the 2026–27 Budget means for businesses and individuals

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FOREWORD

Puerto Rico's 2026–27 Budget holds spending roughly flat while revenue growth slows. It was the second budget developed jointly by the Government, the Legislative Assembly and the Oversight Board.

The Budget raises pay for police and corrections officers and protects health, education and public safety, but makes no change to tax rates. The tax changes of 2026 came from separate laws: Act 38-2026 on resident investors and a one-off tax relief payment. A broader reform to cut individual rates had not been enacted by October 2026, and federal rules continue to shape payroll and the treatment of residents.

This review sets out the figures, the measures and their effective dates, and what they mean for each sector. It should be read with our Doing Business in Puerto Rico guide and our Puerto Rico Tax Guide.

Puerto Rico is served by Dawgen Global's Caribbean Tax Service Desk, managed from our headquarters in Kingston. We would be glad to help you work through the impact on your business.

Dr. Dawkins Brown, Ph.D., MCMI, ACFE

Executive Chairman, Dawgen Global

How to use this guide

This review summarises the 2026–27 Budget and what it means for businesses and individuals in Puerto Rico. It is general information, current to October 2026; measures may change as they pass into law. Our companion Doing Business and Tax Guides give the wider picture. Speak to us before you act.

OVERVIEW

01 Budget at a glance

As a US territory, Puerto Rico has its own budget and tax code, while US federal taxes and programmes apply alongside them. This review covers the Commonwealth budget for the fiscal year from 1 July 2026, filed by Governor Jenniffer González Colón in May 2026, passed by the Legislative Assembly and certified by the Oversight Board under PROMESA on 29 June 2026, with the federal measures that flow through.

GENERAL FUND
US$13.2 bn
US$13.17 billion as enacted; roughly flat on 2025–26

CONSOLIDATED BUDGET
US$33.6 bn
General, special revenue and federal funds

FEDERAL FUNDS
US$14.9 bn
Medicaid, education, nutrition and recovery

2025–26 REVENUE
US$13.9 bn
General Fund, 6.7% above the original projection

TAX RELIEF
US$554 m
One-off payment to about 690,000 taxpayers in 2026

REAL GNP
0.2%
Planning Board projection for 2026–27

Five key messages

- **Spending held flat.** More than two-thirds goes to health, education, public safety, housing and pensions.
- **No change to tax rates.** Corporate, individual and IVU rates are unchanged in the Budget.
- **Resident investors.** Under Act 38-2026, decrees applied for from 1 January 2027 pay 4% on investment income.
- **Reform still pending.** A bill to cut individual rates was not enacted by October 2026.
- **Health is the main risk.** Medicaid costs above the federal cap fall on the General Fund, with a federal funding cliff from 2027–28.

ECONOMY

02 Economic context

Growth is close to zero, but tax collections beat their projections in 2025–26. The economy depends heavily on federal funds and manufacturing.

REAL GNP 2025–26
0.3%
Planning Board estimate, September 2026

REAL GNP 2026–27
0.2%
Planning Board projection

UNEMPLOYMENT
6.2%
September 2026, seasonally adjusted

JOBS
957,600
Non-farm payroll employment, September 2026

CURRENCY
US dollar
Federal Reserve monetary policy applies

REAL GNP 2024–25
1.1%
After 2.1% in 2023–24

Federal funds

Puerto Rico has received more than US$125 billion of federal allocations in recent years. The Oversight Board reported that about two-thirds of disaster recovery allocations were still undisbursed at the end of 2024–25.

Manufacturing and trade

Pharmaceuticals, medical devices and electronics lead exports. US tariff measures adopted in 2025 and 2026 apply to imports from outside the US, and supply chains moving back to the US are a stated opportunity.

Outlook

The Planning Board describes growth as virtually flat. The Oversight Board warns that tax revenues have slowed and that healthcare costs could rise materially.

Energy

Grid reliability and electricity costs remain planning points for investors. Federal funds support rebuilding of the grid, and the electric utility's debt restructuring is still before the Title III court.

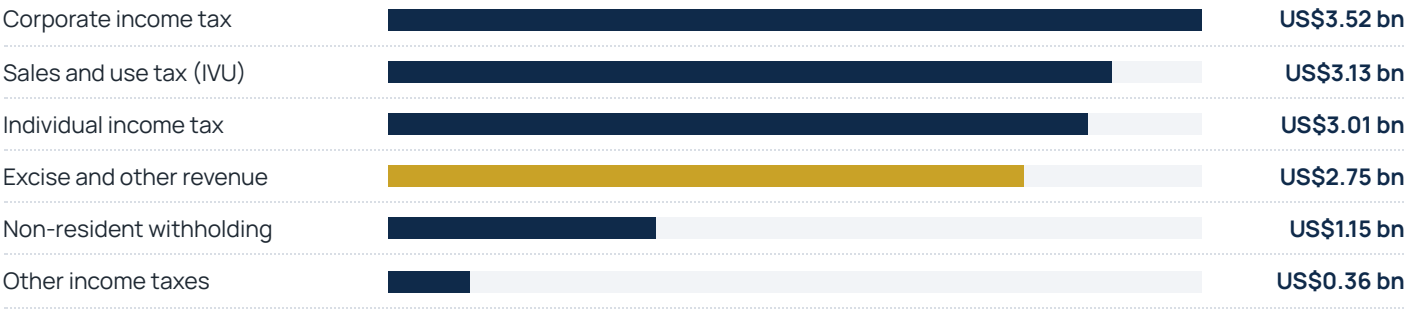
PUBLIC FINANCES

03 Fiscal framework

The General Fund carries most local spending. Budgets must comply with the certified Fiscal Plan and have been balanced on a cash basis since certification began.

US$ billion	2026–27 budget	Share
General Fund	13.2	39%
Special Revenue Funds	5.5	16%
Federal funds	14.9	44%
Consolidated budget	33.6	100%

Where the money comes from: General Fund net revenue 2025–26, US$13.9 billion



Actual collections reported by Hacienda for July 2025 to June 2026: 2.0% more than in 2024–25, 6.7% above the original certified projection and 1.3% above the revised projection. Corporate income tax grew 7.6% and IVU 3.6%; vehicle excise fell.

Setting the 2026–27 budget

The Governor's May proposal set General Fund spending about US$312 million below certified revenue projections. The enacted budget totals US$13.174 billion. Some agencies were cut, mainly in payroll and operating costs, to fund priorities, and the capital budget is still to be developed.

BUSINESS TAX

04 Tax measures for businesses

The Budget makes no change to business tax rates. The changes that matter come from laws passed in 2025 and 2026, and from the reform still under discussion.

Measure	What changes	Effective	Who is affected
Business tax rates	No change: 18.5% normal tax plus surtax of 5% to 19%, combined top rate 37.5%; AMT 18.5% or 23%	2026–27	All corporations
Filing simplification	Act 65-2025 and related laws simplified filings, allowed single-member LLCs to be disregarded and raised the cash-method limit to US$10 million	2025	Small and medium businesses, LLCs
Incentives Code	Export services and manufacturing decrees continue, generally at 4% for 15 years	Ongoing	Decree holders and applicants
Resident investor regime	Act 38-2026: applications by 31 December 2026 keep the existing exemption; later applicants pay 4%	1 Jan 2027	Investor decree applicants
Broader tax reform	**Proposed, not enacted:** a bill to cut individual and business rates; the Oversight Board said in January 2026 that the draft was not consistent with the Fiscal Plan	Not set	All taxpayers
Global minimum tax	Not adopted; US-parented groups may use the OECD side-by-side arrangement of January 2026	—	Large multinational groups

Unchanged

10% branch profits tax in some cases; 51% disallowance of related-party charges without a transfer pricing study; IVU 11.5%, or 4% on B2B and designated professional services; municipal licence and CRIM property taxes.

Federal interaction

A Puerto Rico corporation is a foreign corporation for US federal tax, so US groups should model the controlled foreign corporation rules alongside local tax.

INDIVIDUALS

05 Tax measures for individuals and households

Rates are unchanged, but about 690,000 taxpayers with income under US$150,000 received a one-off relief payment in 2026. Resident investor rules change from January 2027.

Net taxable income	Rate
Up to US$9,000	0%
US$9,001 to US$25,000	7%
US$25,001 to US$41,500	14%
US$41,501 to US$61,500	25%
Over US$61,500	33%

Tax due is 95% of the regular tax, or 92% for gross income up to US$100,000.

One-off tax relief

Joint Resolution 6-2026 provided US$554 million of relief for about 690,000 taxpayers with income under US$150,000, calculated by Hacienda and paid from late May 2026. It was funded from non-recurring sources.

Payroll contribution	Employee	Employer
Social security (federal)	6.2%	6.2%
Medicare (federal)	1.45%	1.45%
Disability (SINOT)	0.3%	0.3%
Unemployment	—	Rated

The federal social security wage base is US$184,500 for 2026. The minimum wage remains US$10.50 an hour.

Resident investors (Act 38-2026)

- Decrees obtained by 31 December 2026: interest, dividends and post-move gains exempt to 2035
- Applications from 1 January 2027: 4% on that income to 2055, with six years' prior non-residence

INDIRECT TAXES

06 Indirect taxes, customs and other revenue

Indirect tax rates are unchanged. IVU grew with consumption in 2025–26, while vehicle excise fell.

Item	2026–27 position	2025–26 trend
IVU	11.5% (10.5% state, 1% municipal); 7% on prepared food from certified merchants; 4% on B2B and designated professional services	+3.6%, US$3.13 bn
Import use tax	Collected on goods entering Puerto Rico, including from the US mainland	Within IVU
Remote sellers	Remote sellers and marketplace facilitators collect IVU; digital products taxable	Unchanged
Tobacco excise	Rates unchanged	+51.3%, US$123 m
Motor vehicle excise	Rates unchanged	Below projection
Act 154 excise	4% on purchases from large manufacturers, where still in force	—
Customs	US customs territory; US duties and tariffs on imports from outside the US	Federal

Government contracts

A 1.5% special contribution applies to professional, consulting and legal services contracts with the Government. It is not creditable.

Administration

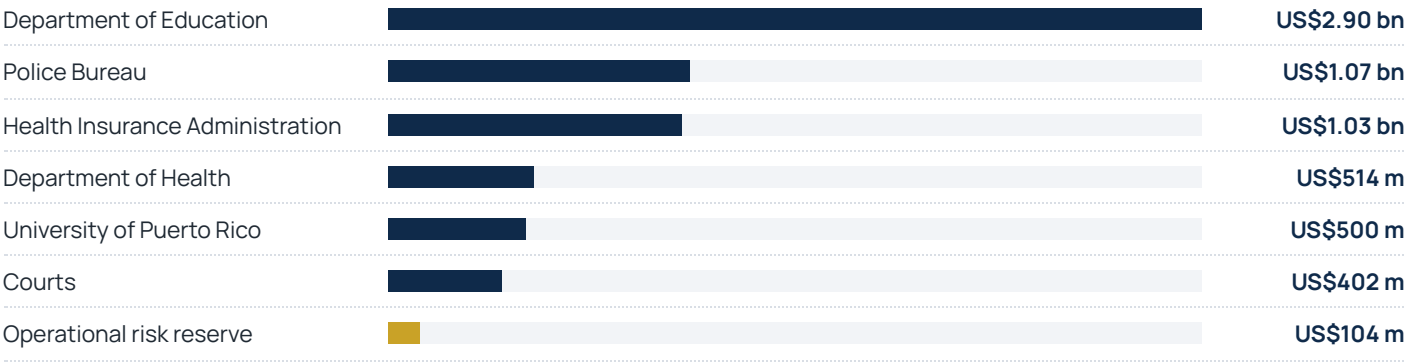
Hacienda administers income tax, IVU and excise through SURI. Relief payments were made to bank accounts registered in SURI.

SPENDING

07 Spending priorities and capital programme

Education, health and public safety take the largest General Fund allocations. Federal funds carry most capital and recovery spending.

Selected General Fund allocations, as proposed in May 2026



Figures from the Governor's proposal; the enacted budget made changes for several agencies. The gold bar shows a reserve.

Priorities funded

- Pay rises for police and corrections officers
- Road repairs
- Care for disabled adults and seniors, and childcare
- Medicaid, with a projected 5% cost increase and reserves for risks

Capital and recovery

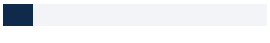
The Commonwealth capital budget is still to be developed. Rebuilding of the grid, roads, housing and schools is funded mainly by federal disaster recovery allocations, much of which is still to be disbursed.

DEBT

08 Debt, financing and fiscal rules

Most Commonwealth debt has been restructured under PROMESA. The Oversight Board's Fiscal Plan, not a numerical rule, is the binding constraint on budgets.

Liquidity at end-2024–25

Treasury Single Account		US$11.4 bn
Restricted or committed		79%
Available as reserve		About US$1.4 bn

Fiscal rules

Under PROMESA, budgets must comply with the certified Fiscal Plan. Medicaid benefit changes need review by the Office of Management and Budget and the Oversight Board. The latest completed audited financial statements are for 2021–22.

Debt position

The general obligation, sales tax (COFINA) and highway debts have been restructured, sharply reducing debt service. The restructuring of the electric utility's debt is still before the Title III court.

Risks to watch

- Medicaid funding cliff from 2027–28 if Congress does not act
- Recurring costs met from temporary funds, including the University, the electricity system and municipalities
- Slowing revenue and near-zero growth
- Pace of federal recovery disbursements
- Hurricanes and other climate shocks

SECTOR IMPACT

09 What it means for your sector

Sector	What the Budget means
Manufacturing and life sciences	Decrees continue at reduced rates. Corporate tax was the fastest-growing revenue line. Model US tariffs, onshoring and global minimum tax rules elsewhere in the group.
Export services	4% decree rate unchanged. The 51% rule and transfer pricing remain audit priorities.
Tourism and hospitality	IVU and room occupancy tax unchanged. Road and recovery spending supports access.
Financial services	Rates unchanged. Non-resident withholding grew 10% in 2025–26.
Construction and real estate	Federal recovery funds drive activity; the local capital budget is still to be developed.
Energy	Grid rebuilding is federally funded; the utility's debt restructuring is unresolved.
Health	Medicaid cost growth and the 2027–28 cliff are the largest budget risks.
SMEs	Simpler filings since 2025 and the US$10 million cash-method limit.
Investors relocating	Apply by 31 December 2026 for the current exemption; 4% applies afterwards.
Employers generally	Rates unchanged; budget for the federal wage base and the December Christmas bonus.

ACTION PLAN

10 Action points and key dates

Businesses

- [ ] Confirm decree compliance and annual reports
- [ ] Complete transfer pricing studies before the return date
- [ ] Model the tax reform if it is enacted
- [ ] Review vendor withholding waivers for 2027
- [ ] Model US tariffs on imported inputs
- [ ] Plan cash flow for estimated tax

Individuals

- [ ] Apply for an investor decree by 31 December 2026 if relevant
- [ ] Keep evidence of residence for the IRS
- [ ] File the 2026 return by 15 April 2027

Date	What happens
May 2026	Relief payments begin
29 June 2026	Budget certified
1 July 2026	Fiscal year 2026–27 begins
15th of each month	Withholding deposits
20th of each month	IVU return and payment
15 December 2026	Christmas bonus; estimated tax
31 December 2026	Last date for investor decrees at 0%
1 January 2027	4% investor regime
15 April 2027	Corporate and individual returns
30 June 2027	Fiscal year ends

Dates assume a calendar-year taxpayer.

YOUR PARTNER

11 How Dawgen Global helps

Our Caribbean Tax Service Desk, managed from Kingston and supported by our US office in Miami, helps businesses and individuals turn the Budget into a plan.

Budget impact assessment

Modelling the Budget, the pending reform and federal rules against your plans.

Tax planning and restructuring

Structure, US federal interaction, dividends and transfer pricing.

Compliance updates and payroll changes

SURI filings, IVU, withholding and federal payroll taxes.

Incentives and concessions

Incentives Code decrees, Act 38-2026 and annual reports.

Cash flow and pricing reviews

Estimated tax, tariffs on inputs and working capital.

Engagement with the tax authority

Hacienda audits, waivers, CRIM and municipal assessments.

Start with a conversation

Tell us how the 2026–27 Budget affects your plans, and we will set out the steps for your situation. Some regulated services are performed by affiliated firms; we will advise you of the arrangements when you make a request. Fees are tailored to each client's circumstances and set out in an engagement letter. Email **puertorico@dawgen.com** or **info@dawgen.global**, or call (876) 926-5210.

Talk to the Caribbean Tax Service Desk about the 2026–27 Budget

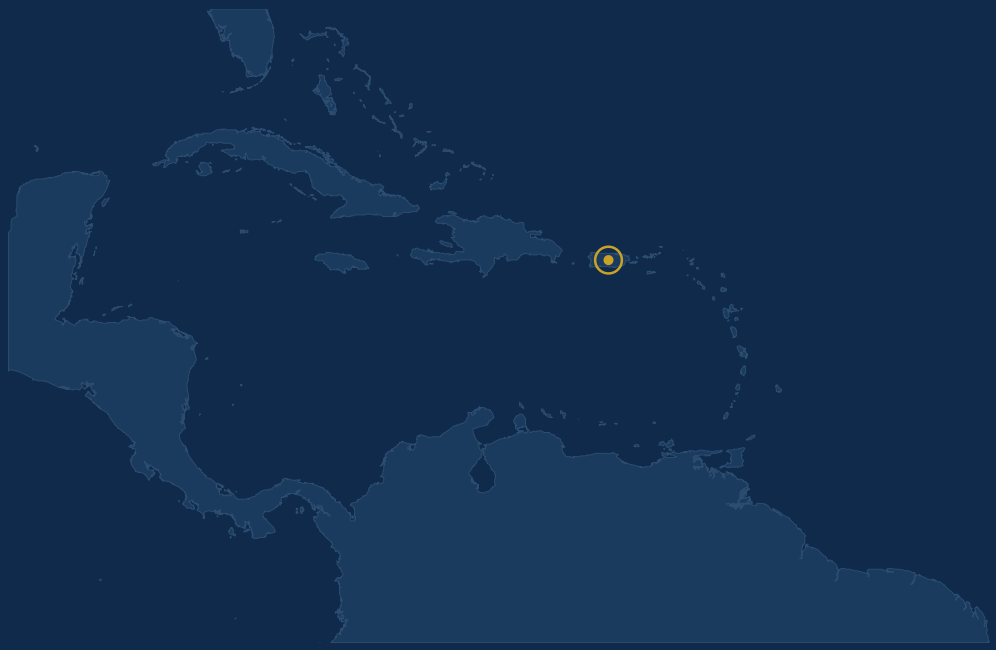
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Key official sources

- Financial Oversight and Management Board for Puerto Rico (oversightboard.pr.gov)
- Office of Management and Budget, OGP (ogp.pr.gov)
- Legislative Assembly of Puerto Rico (camara.pr.gov; senado.pr.gov)
- Puerto Rico Department of the Treasury, Hacienda (hacienda.pr.gov)
- Fiscal Agency and Financial Advisory Authority, AAFAF (aafaf.pr.gov)
- Puerto Rico Planning Board (jp.pr.gov)
- US Bureau of Labor Statistics (bls.gov)
- US Internal Revenue Service (irs.gov)



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