

(S. B. 616)

**(No. 9-2024)**

(Approved January 10, 2024)

**AN ACT**

To amend Section 2011.04 of Act No. 60-2019, as amended, known as the “Puerto Rico Incentives Code,” in order to recognize the authority of municipal government to grant exemptions for the different municipal taxes in excess of the fifty (50%) provided by law; and make technical amendments.

**STATEMENT OF MOTIVES**

In accordance with Section 2011.04 of Act No. 60-2019, as amended, known as the “Puerto Rico Incentives Code,” “[t]he income generated from the eligible activities of an Exempt Business under this Code shall have a fifty percent (50%) exemption on municipal taxes, that is, on municipal license taxes, municipal excise taxes, and other municipal taxes imposed by municipal ordinance.” However, said Act does not respect the will of the municipality as to whether it agrees to have its revenues undermined by virtue of a law of the Government of the Commonwealth of Puerto Rico.

Likewise, the current language fails to recognize the authority of the municipalities of Puerto Rico to adopt a municipal incentive program that exceeds fifty percent (50%) of the payment of any municipal tax.

Our code of laws must strengthen the capacity of municipalities to control their economic development and directly address the needs of the People. In addition, the decentralization of these powers reduces the possibility of centralization which in the past has led to great economic development disparities among the Island’s geographic areas.

This Act addresses the error identified in the Puerto Rico Incentives Code in a manner consistent with the municipal autonomy precept contained in Act No. 107-2020, as amended, known as the “Puerto Rico Municipal Code.”

***BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:***

Section 1.- Section 2011.04 of Act No. 60-2019, as amended, known as the “Puerto Rico Incentives Code,” is hereby amended to read as follows:

“Section 2011.04.- Municipal Taxes.

(a) The income generated from the eligible activities of an Exempt Business under this Code shall have a fifty percent (50%) exemption on municipal taxes, that is, on municipal license taxes, municipal excise taxes, and other municipal taxes imposed through a municipal ordinance. The municipalities may grant a higher exemption than the one provided hereunder as provided in Sections 2.109, 2.110, and 7.239 of Act No. 107-2020, known as the ‘Puerto Rico Municipal Code,’ except for the Municipal Property Tax, which shall be governed by the provisions of Book VII, Chapter II of Act No. 107-2020.

(b) Tax Rate.- During the term of the decree, the taxable portion of the volume of business shall be subject to the tax rate in effect as of the date the decree was signed, regardless of any subsequent amendment made thereto.

(c) Exemption for the First Semester.- The Exempt Business holding a decree granted under this Code shall have full exemption from the municipal licenses taxes applicable to the volume of business of said Exempt Business during the semester of the Government’s Fiscal Year in which the Exempt Business commences operations in any municipality, pursuant to the provisions of the ‘Puerto Rico Municipal Code.’

(d) Statute of Limitation on the Assessment and Collection of License Taxes.- Any Exempt Business under this Code or under prior incentives laws may waive the five-percent (5%) discount for early payment benefit, as provided in Section 7.208

of the ‘Municipal Code of Puerto Rico,’ and pay in full the municipal license tax on the date provided by said Act. Provided, that in the case of Exempt Businesses that opt to make early payment and waive the discount, the statute of limitations on the assessment and collection of the license tax imposed under the “Puerto Rico Municipal Code,” shall be three (3) years from the filing date of the Declaration of Volume of Business, in lieu of the terms provided in subsections (a) and (b) of Section 7.216 of the ‘Puerto Rico Municipal Code.’

(e) Capital Gains.- The net capital gains as well as any other net gain realized from the sale of any asset or property used in the exempt operations shall be subject to municipal taxes (license taxes), in the taxable portion, only to the extent of the amount of the net gains, if any, in lieu of the terms provided in the ‘Puerto Rico Municipal Code’ subject to subsection (a) of this Section.

(f) Construction Excise Taxes.- An Exempt Business holding a decree under this Code and its contractors and subcontractors shall have a seventy-five percent (75%) exemption from any tax, levy, fee, license, construction excise tax, excise tax, duty, or tariff imposed by any municipal ordinance on construction works to be used by said Exempt Business in its operations, without it being understood that said taxes include the municipal license taxes imposed on the volume of business of the contractor or subcontractor of the Exempt Business. When the exemption provided in this subsection is applicable to those decrees granted under this Code or prior incentives laws, it shall be understood that: (1) a construction work shall be used by an Exempt Business insofar as it is conducted within the premises of the operation and to facilitate the operations of the Exempt Business, regardless of whether the Exempt Business possesses said premises or any part thereof as owner, through a lease or by any other means and, (2) for such purposes, neither the Exempt Business for whose benefit the construction is being carried out, nor its contractors or

subcontractors, shall need to present a certification issued by a municipality as proof of payment of the construction excise taxes for the issuance of any permit.”

Section 2.- This Act shall take effect upon its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 9-2024 (S. B. 616)** of the **6<sup>th</sup> Regular Session** of the **19<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend Section 2011.04 of Act No. 60-2019, as amended, known as the “Puerto Rico Incentives Code,” in order to recognize the authority of municipal government to grant exemptions for the different municipal taxes in excess of the fifty (50%) provided by law; and make technical amendments.

has been translated from Spanish to English and that the English version is correct.  
In San Juan, Puerto Rico, on this 9<sup>th</sup> day of February, 2024.

Mónica Freire-Florit, Esq.  
Director