

(H. B. 993)

(No. 26-2019)

(Approved May 16, 2019)

AN ACT

To amend Sections 1051.06 and 4070.01 of Act No. 1-2011, as amended and known as the “Internal Revenue Code,” in order to modify the effectiveness of its provisions, make technical amendments; and for other related purposes.

STATEMENT OF MOTIVES

Puerto Rico is currently going through a mass exodus of professionals at an accelerated and alarming rate as a result of the sustained economic crisis that the Island has been suffering since 2004. The lack of job opportunities in the private sector has forced citizens to leave the Island in search of better job opportunities and a different lifestyle. Our human resource has been forced to move outside of Puerto Rico, mainly to one of the fifty states of the nation, thereby depriving this society of the same human resource that could help us recover from the crisis we are living.

When amendments to the “Internal Revenue Code” were approved in 2015 in order to create new taxes or impose new charges on the sales and use tax, construction projects already in progress at a determined date before such tax entered into effect were exempted.

The reasoning behind the exemption was that such projects had been designed and planned before said provision and to subject them to the new tax would disrupt the design and planning thereof in an extraordinary and unsustainable manner.

Such provision established a term to register projects up to a certain date. However, the reality is that those projects which were already in progress at the time the new tax was imposed have not been completed due to the inherent nature of a bill's duration and the various factors that affect the progress and completion of construction works.

Due to the aforementioned, this Legislative Assembly deems it appropriate to extend the term to register eligible projects in this scenario, subject to compliance with the requirements originally established therefor.

This Legislative Assembly also recognizes the importance of conserving the Santa Catalina Palace, also known as "La Fortaleza," not just for Puerto Ricans, but for all peoples as evinced by UNESCO's designation of the Palace as a World Heritage Site.

The tax credits provided by the Internal Revenue Code for a New Puerto Rico were reevaluated as part of the tax reform. This analysis led to the limitation of some tax credits that are not cost effective for the Government of Puerto Rico. However, language was inadvertently added to such effects to the provisions on the tax credit granted for donations to the Santa Catalina Palace Endowment.

The purpose of this measure is to reincorporate the tax credit for donations made to the Santa Catalina Palace Endowment into the Internal Revenue Code for a New Puerto Rico to continue to incentivize private contributions for the preservation and maintenance of La Fortaleza, thereby ensuring that future generations are able enjoy the monument.

In light of the foregoing, Section 1051.06 and Section 4070.01 of Act No. 1-2011, as amended, known as the "Internal Revenue Code," are hereby amended to modify their provisions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Subsection (a) of Section 1051.06 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” is hereby amended to read as follows:

“Section 1051.06.- Credit for Donations to the Santa Catalina Palace Endowment (*Patronato del Palacio de Santa Catalina*).-

(a) Amount of the Credit.- A tax credit shall be granted against the tax imposed by this Subtitle for donations made or generated as a result of the efforts of the Santa Catalina Palace Endowment. The amount of said credit shall be one hundred percent (100%) of the amount donated during the taxable year.

(b) ...
...”

Section 2.- Subsection (d) of Section 4070.01 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 4070.01.- Exclusion of Preexisting Contracts and Bids.-

(a) ...

(b) ...

(c) ...

(1) ...

(2) ...

(3) ...

(d) Commercial, industrial, or residential construction projects started as of May 31, 2015.

(1) Registration.- Commercial, industrial, or residential construction projects that have started any phase thereof upon the filing or approval of a site consultation, construction consultation, project draft, or preliminary development with the Permit Management Office, an autonomous

municipality, or the Planning Board, as of May 31, 2015, may register in a Works and Structures Registry in the Department of the Treasury, in accordance with the parameters to be established by the Secretary through an official document, in order to avail themselves of the provisions of this subsection. Contracts entered into by virtue of a commercial, industrial, or residential construction project registered in the Works and Structures Registry may also be registered in such registry.

(2) **Applicable Rate.**- The owners of commercial, industrial, or residential construction projects and the merchants that are parties to contracts registered under paragraph (1) of this subsection may acquire taxable items, contracts, and receive services from other merchants and designated professional services that are directly related to said projects subject to the Sales and Use Tax rates and exemptions applicable to said taxable items and services as of May 31, 2015, even if the same are acquired or received after said date, subject to the provisions of paragraph (3) of this subsection.

(3) **Period of the Applicable Rate.**- The rate provided in paragraph (2) of this subsection shall apply to taxable items and services that are directly related to the commercial, industrial, or residential construction projects registered under paragraph (1) of this subsection until June 30, 2016. Said date may be extended, at the request of the merchant, up to twelve (12) additional months or, in the case of the construction of tourist projects and hospital units, for the term of the construction works, at the discretion of the Secretary.

Those that availed themselves of the twelve (12)-month extension are hereby provided with an additional thirty-six (36)-month extension in order to finish the project.”

Section 3.- This Act shall take effect immediately after its approval.