

(House Substitute for H. B. 12,
H. B. 394, and H. B. 916)
(Conference)

(No. 48-2013)

(Approved June 30, 2013)

AN ACT

To amend Sections 3 and 5 of Act No. 221 of May 15, 1948, as amended, in order to increase the proportion of machines in casinos, restructure the distribution of such proceeds, and establish the Special Professional and Consulting Services Contribution; among other things.

STATEMENT OF MOTIVES

The Commonwealth of Puerto Rico is undergoing an unprecedented fiscal crisis. The economic growth of our Island has decreased as a result of an unwise fiscal policy. Puerto Rico's economic crisis is reflected in Government finances, making it imperative to cover funds into the treasury in the most sensible manner possible. As stated before, the economic recovery that spearheaded a political campaign was a fictitious one since, by the close of Fiscal Year ending on June 30, 2013, a nearly \$2.157 billion structural fiscal deficit is foreseen, which this administration has mitigated by taking the appropriate measures. Moreover, the past administration approved a tax reform that cannot be sustained given the economic deficit and contraction of the Island. Consequently, the general obligation bonds were downgraded earlier this year and the credit of Puerto Rico was rated to a grade above speculative (non-investment grade or junk bonds.)

There comes a time in the development of the peoples, when individual aspirations must be set aside to achieve common goals, so that society may evolve and begin to define its collective needs, which are essential to improve the quality of life of its members. It is at that very moment when we, as a community, realize the triviality of our apparent and irreconcilable differences and begin to forge a strong and solidaristic path towards our destination.

The Commonwealth's mission in modern society is to guarantee the highest quality of life possible to its constituents. Issues such as housing, health, safety, education, and employment, among others, are fundamental elements to reach such goal, because they have an impact on all the individual, family, and professional lives of the people.

The economic crisis that we face has affected every component of the Puerto Rican society. The Commonwealth has experienced the effects of this economic recession in its different forms and degrees. Such effects have been felt immediately through cuts in aid programs, layoffs, and the downgrading of the government credit which are only some examples of the consequences of this situation. Acknowledging the urgency of covering more funds into the treasury, this Legislative Assembly deems it necessary to implement new revenue-generating measures.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Special Professional and Consulting Services Contribution.-

It is hereby provided that a special contribution equal to one point five percent (1.5%) of the total amount of every professional services, consulting, advertising, training, or orientation contract executed by any agency, instrumentality, or entity of the Commonwealth of Puerto Rico, public corporation, the Legislative Assembly, and the Judicial Branch shall be imposed on such contract to be deposited in the General Fund.

For purposes of this Act, professional services shall mean that provided in Section 1 of Act No. 237-2004, as amended. Under no circumstances shall professional services exclude contracts related to public relations, communications, legal, and lobbying services.

This Special contribution shall be withheld by the Department of the Treasury or by the government entity, as the case may be, at the time of issuing the payment for the services rendered. At the time of the approval of this Act, every agency, entity, or instrumentality of the Commonwealth of Puerto Rico, public corporation, as well as the Legislative Assembly and the Judicial Branch, shall adopt appropriate administrative controls to guarantee that the rates or fees (per task or per hour) of the type of contract executed during Fiscal Year 2012-2013 remains unaltered for Fiscal Years 2013-2014 and 2014-2015. The agencies, entities, or instrumentalities of the Commonwealth of Puerto Rico, public corporations, as well as the Legislative Assembly and the Judicial Branch shall establish guidelines to ensure that the established fees or rates are reasonable.

Under no circumstances shall the Special Professional and Consulting Services Contribution provided herein be taken or construed as a credit or deduction from the income subject to tax.

Section 2.- Subsection (C) of Section 3 of Act No. 221 of May 15, 1948, as amended, is hereby amended to read as follows:

“Section 3.- Games of Chance in Licensed Gambling Rooms, Authorized - Qualifications for Licenses.-

(A) ...

(B) ...

(C) The Tourism Company is hereby empowered to discretionally authorize, at the request of a licensee who is the owner or lessor of the slot machines in his/her gambling rooms, up to a maximum of eight (8) machines for each authorized player seated or standing in the gambling room, in proportion to the number of authorized tables used for other games of chance. Under no circumstances shall the increase in the number of machines entail the loss of tables. In such/this case, the casino shall not qualify for the increase in machines. In the case of a holder of a license to operate a gambling room where the slot machines are owned and operated by the Tourism Company, the latter is hereby empowered to discretionally authorize, at the request of the licensee, up to a maximum of one point five (1.5) slot machines for each authorized player, seated or standing in the gambling room, in proportion to the number of authorized tables used for other games of chance. The basis for computing authorized players shall be the annual average number of players authorized according to the formula described; Provided, that at present, seven (7) players are allowed in the authorized card game known as '21' or Blackjack, up to eighteen (18) players at the craps table, and seven (7) per table in roulette. The proportion established by the Tourism Company pursuant to the rules established herein shall be revised every six (6) months; Provided, that should the licensee fail to comply at any time after the authorization with the proportion required by the Tourism Company as a requirement thereof, the latter shall reduce the number of authorized slot machines until a true proportion is reached based on the average number of tables used.

The Tourism Company is hereby empowered to authorize, at its discretion, the operation of slot machines in gambling rooms located at the airport and port terminals of Puerto Rico; provided, that the same are located beyond security checkpoints.”

Section 3.- A new paragraph (5) is hereby added to subsection (E) of Section 5 of Act No. 221 of May 15, 1948, as amended, to read as follows:

“Section 5.- Games of Chance in Licensed Gambling Rooms, Authorized - Payment and Collection of License Fees; Investigation of Revenues

(A) ...

(E) The annual net income determined pursuant to subsection (D) of this Section shall be distributed as follows:

(1) ...

(2) ...

(3) ...

(4) ...

(5) For Fiscal Year 2013-2014 and subsequent fiscal years:

(i) The first three hundred fifteen million dollars (\$315,000,000) annual net income shall be distributed as follows:

(a) Thirty-four percent (34%) of the base period income, as defined in subsection (F)(1) of this Section, shall be distributed to Group A, as defined in subsection (F)(2)(i) of this Section, and sixty-six percent (66%) of the base period income shall be distributed to Group B, as defined in subsection (F)(2)(ii) of this Section.

(b) Any annual net income in excess of the base period income shall be distributed as follows: sixty percent (60%) to Group A and forty percent (40%) to Group B.

(ii) Any annual net income in excess of three hundred fifteen million dollars (\$315,000,000) up to four hundred ninety-five million dollars (\$495,000,000) shall be distributed as follows: fifty-five percent (55%) to the General Fund under the custody of the Secretary, and the remaining forty-five percent (45%) to Group A, as defined in subsection (F)(2)(i) of this Section.

(iii) Any annual net income in excess of four hundred ninety-five million dollars (\$495,000,000) shall be distributed as follows: eighty percent (80%) to Group A, and the remaining twenty percent (20%) to Group B, as defined in subsection (F)(2)(ii) of this Section.

(F) ...”

Section 4.- Interpretation with other Laws.-

This Act shall supersede any laws herein provided and amended. It shall be, in turn, construed that any statute or regulation thus affected is amended in order to conform the same to the provisions of this Act.

Section 5.- If any section, provision, paragraph, subsection, or part of this Act were held to be null or unconstitutional by a Competent Court, it shall be understood that the remaining provisions shall continue to be valid and in effect.

Section 6.- Effectiveness.

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 48-2013 (House Substitute for H. B. 12, H. B. 394, and H. B. 916)(Conference)** of the **1st Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to amend Sections 3 and 5 of Act No. 221 of May 15, 1948, as amended, in order to increase the proportion of machines in casinos, restructure the distribution of such proceeds, and establish the Special Professional and Consulting Services Contribution; among other things.

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, on this 11th day of August, 2014.

Juan Luis Martínez Martínez
Acting Director