(S. B. 495)

(No. 67-2025)

(Approved July 18, 2025)

AN ACT

To amend Sections 1020.08, 2082.02, 2082.03, 2082.04, 2082.05, and 2083.01 of Act No. 60-2019, as amended, known as the "Puerto Rico Incentives Code," to clarify the provisions concerning bona fide farmers qualified to receive the incentive benefits, streamline requirements; and for other related purposes.

STATEMENT OF MOTIVES

Puerto Rico produces roughly fifteen (15%) of its food. This places us in a precarious situation with regard to ensuring continuous access to nutritious and sufficient food, but it also presents a great opportunity to create a market for local agriculture.

Although efforts have been made to increase food production in recent years, we still have a long way to go. According to the 2022 Census of Agriculture, 7,602 farmers are working 494,481 *cuerdas* of land, with an average farm size of 65 *cuerdas*. When compared to the previous census, there was a 1.4% increase in the use of farmland and a 9.6% increase in farm size, which indicates a growth in agricultural production. However, the number of farmers declined by -7.6% with an average age of 60.3 years.

This Administration is firmly committed to promoting Puerto Rican agriculture. To achieve this, we will launch a series of initiatives to increase local production, position ourselves in our natural market, i.e., the United States, and bring high-quality food and products to our tables at competitive prices. Accordingly, this Act seeks to attain the following objectives:

1. To promote food self-sufficiency by strengthening local food production.

2. To clarify and standardize the eligibility criteria to access the tax incentives available to bona fide farmers.
3. To expand effective access to benefits such as income, property, municipal business license, SUT, and excise tax exemptions.
4. To establish a well-structured and predictable certification process under the responsibility of the Secretary of Agriculture.
5. To increase the competitiveness of the agro-industrial sector through a clearer and more accessible tax environment.

Specifically, this legislation aims to enhance the Puerto Rico Incentives Code by clarifying the applicability of benefits for bona fide farmers and streamlining the requirements. We thus honor our commitment to evaluate every agricultural incentive to expand those that are yielding results and modify priority areas where incentives are not fulfilling the purpose for which they were created.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Paragraph (1) is hereby amended, and a new paragraph (3) is hereby added to subsection (a) of Section 1020.08 of Act No. 60-2019, as amended, to read as follows:

"Section 1020.08. — Definitions Applicable to Agro-industry Activities. —

(a) …

(1) Bona fide Farmer. —Means any natural or juridical person that holds a valid Bona fide Farmer Certification for the Taxable Year for which he claims the deductions, exemptions, or benefits provided in Chapter 8 of Subtitle B of this Code.

(2) ...

(3) Bona fide Farmer Certification. - Certification issued by the Secretary of Agriculture certifying that, during said year, said farmer was engaged in the exploitation of an activity qualified as an agro-industrial business, as such activity is described in paragraph (2) of subsection (a) of Section 2081.01 of this Code and derives fifty-one percent (51%) or more of his gross income from an agro-industrial business as operator, owner, or lessee, according to his income tax return or fifty-one percent (51%) of the value of the production and/or investment in an agro-industrial business as operator, owner, or lessee. The Secretary of Agriculture shall have the duty and responsibility of issuing this Certification every four (4) years, once the agro-industrial business validates, to the satisfaction of the Secretary of Agriculture, that it has met the requirements outlined in Section 2081.01 of this Code, as well as other in other provisions of this Code and the Regulation."

Section 2.- Subsection (c) of Section 2082.02 of Act No. 60-2019, as amended, is hereby amended to read as follows:

"Section 2082.02. —Bona fide Farmers Income Tax.

(a) …

...

(c) The shareholders or partners of an Exempt Business holding a Bona fide Farmer Certification or a Decree under the provisions of this Chapter that are engaged in the activities listed in paragraph (2) of subsection (a) of Section 2081.01 of this Code, shall be subject to the income tax provided in the Puerto Rico Internal Revenue Code on dividend distribution or net income benefit of such Exempt Business."

Section 3.- Section 2082.03 of Act No. 60-2019, as amended, is hereby amended to read as follows:

"Section 2082.03. — Real and Personal Property Tax.

Bona fide Farmers engaged in the activities provided in paragraph (2) of subsection (a) of Section 2080.01 of this Code, who also hold a Decree granted under this Code or a Bona fide Farmer Certification, shall be exempt from the property taxes imposed under Chapter II of Book VII of Act No. 107-2020, as amended, known as the 'Puerto Rico Municipal Code' including real and personal property, whether tangible or intangible, such as land, buildings, equipment, accessories, and vehicles owned, leased, or held in usufruct, and used in thirty-five percent (35%) or more of the activities covered by this Chapter."

Section 4.- Section 2082.04 of Act No. 60-2019, as amended, is hereby amended to read as follows:

"Section 2082.04. — Municipal Tax.

Bona fide Farmers engaged in the activities provided in paragraph (2) of subsection (a) of Section 2080.01 of this Code, who also hold a Decree granted under this Code or a Bona fide Farmer Certification, shall be exempt from the municipal business license tax imposed under Chapter III of Book VII of Act No. 107-2020, as amended, known as the 'Puerto Rico Municipal Code' on the activities covered by this Chapter."

Section 5.- Section 2082.05 of Act No. 60-2019, as amended, is hereby amended to read as follows:

"Section 2082.05. — Exemption from the Payment of Excise Taxes and the Sales and Use Tax.

All Bona fide Farmers engaged in the activities provided in paragraph (2) of subsection (a) of Section 2080.01 of this Code, who also hold a Decree granted under this Code or a Bona fide Farmer Certification are hereby exempt from the payment of excise taxes and the Sales and Use Tax, if applicable, as provided in Subtitles C, D, and DDD of the Puerto Rico Internal Revenue Code, provided that they meet the requirements of Section 2083.05 of this Code, on the following Articles when they are introduced or acquired directly or indirectly by them to be used in such activities:

(1) ...

(b) ..."

Section 6.- Subsection (a) of Section 2083.01 of Act No. 60-2019, as amended, is hereby amended to read as follows:

"Section 2083.01. — Decree Application Requirements.

(a) Any person who has established or intends to establish an Eligible Business in Puerto Rico under the provisions of this Chapter may apply to the Secretary of Agriculture for a Bona fide Farmer Certification that qualifies such person for the benefits of this Chapter, effective on January 1 of the taxable year for which such Certification has been issued.

(b)….

(c) All Bona fide Farmers may apply for a Decree under this Chapter for the purposes provided in this subsection. During the effective period of the Decree, Bona fide Farmers shall be entitled to receive the benefits available under this Chapter as of the date of execution of the Decree, notwithstanding any future amendments to this Code, provided that the Bona fide Farmer complies with the terms and conditions of this Code, the Decree, and the applicable regulations."

Section 7.- Severability.

Should any article, provision, paragraph, subsection, or part of this Act be held void or unconstitutional by any competent Court, the remaining provisions of this Act shall remain in full force and effect.

Section 8.- Effectiveness.

This Act shall take effect upon its approval.