

(S. B. 491)

**(No. 73-2021)**

(Approved December 27, 2021)

**AN ACT**

To amend Section 1031.01(b)(10)(A) of Subchapter A of Chapter 3 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to exclude from the gross income the full amount of any medical debt cancellation by the United States Government.

**STATEMENT OF MOTIVES**

Coping with the medical diagnosis of an illness is a difficult time for any human being. Given this unfortunate reality, the person must incur a series of medical expenses that, as a general rule, are not fully covered by health insurance. On occasion, terminal illnesses or serious accidents affect the work performance of a person, to the extent that they are unable to work at all. This situation oftentimes leads to the accumulation of a large medical debt, which, in turn, causes distress to the individual and his family while the individual is in the process of undergoing medical treatment for his health condition.

The Government must show empathy towards persons who have suffered a substantial loss of income or have accumulated a large medical debt as a result of a medical diagnosis or an accident. In view of the foregoing, the Government should not impose an additional burden on those persons whose medical debts are canceled, by exempting them from paying unjust taxes. In many cases, these persons resort to donations or charity as a source of income. The Government should not turn this debt cancellation into a tax burden for the beneficiary. This only worsens the suffering and pain that these individuals and their families are experiencing while

trying to survive or simply to achieve a better quality of life as they struggle with an illness or injury resulting from a serious accident.

The Government must show compassion for the patients' pain and suffering and should not impose any other tax on the amount of income obtained as a result of the cancellation of a medical debt by the Federal Government. This support would undoubtedly be a great financial benefit for the individuals whose debts are canceled, thus alleviating the burden on these persons who endure so much suffering and pain throughout their illness. Forcing a person to decide between his medical debt and his home is unfair. No one deserves to have their quality of life affected for choosing to maintain their health.

This Legislative Assembly deems that, in spite of the Island's difficult economic situation, it is unfair to impose a tax on medical debt canceled by the Federal Government of the United States of America, since it would constitute an additional burden for the person that is suffering from a health condition or illness. Thus, it is essential to approve this measure in order to positively contribute to the rehabilitation of people suffering from unforeseen health situations.

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

Section 1.- Section 1031.01(b)(10)(A) of Subchapter A of Chapter 3 of Act No. 1-2011, as amended, known as the "Puerto Rico Internal Revenue Code of 2011," is hereby amended to read as follow:

"Section 1031.01. -Gross Income.-

(a) ...

(b) Exclusions from Gross Income.- The following items shall be excluded from the definition of gross income:

(1) ...

...

...

(10) Income from Discharge of Indebtedness

(A) Exclusion.- The income derived from discharge of indebtedness, in whole or in part, shall not be subject to income taxes under this Subtitle if such discharge is due to any of the following cases:

(i) ...

...

(v) A debt canceled by the Federal Government of the United States of America, for medical expenses paid or incurred by the taxpayer, or for the benefit of a dependent of the taxpayer, provided that the taxpayer include certification of debt cancellation issued by the Federal Government or any instrumentality thereof.

...”

Section 2. -Effectiveness

This Act shall take effect upon its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 73-2021 (S. B. 491)** of the **2<sup>nd</sup> Regular Session** of the **19<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** amend Section 1031.01(b)(10)(A) of Subchapter A of Chapter 3 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to exclude from the gross income the full amount of any medical debt cancellation by the United States Government.

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

In San Juan, Puerto Rico, on this 30<sup>th</sup> day of March, 2022.

Mónica Freire-Florit, Esq.  
Director