



LEGISLATURE OF PUERTO RICO

*Office of Legislative Services*

**CERTIFICATION**

I hereby certify to the Secretary of State that the following Act No. 118 (S.B. 1138) of the 5<sup>th</sup> Session of the 14<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to add subsection (j) to Section 2041 of Act No. 120 of October 31, 1994, as amended, known as the "Internal Revenue Code of Puerto Rico of 1994" to exempt from the payment of excise taxes all musical articles, materials or instruments acquired for the official use of the Puerto Rico Conservatory of Music Corporation for teaching or research purposes,

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

In San Juan, Puerto Rico, today 15<sup>th</sup> of April of 2004.

Elba Rosa Rodríguez-Fuentes  
Director

(S.B. 1138)

(No. 118)

(Approved May 3, 2003)

## **AN ACT**

To add subsection (j) to Section 2041 of Act No. 120 of October 31, 1994, as amended, known as the "Internal Revenue Code of Puerto Rico of 1994" to exempt from the payment of excise taxes all musical articles, materials or instruments acquired for the official use of the Puerto Rico Conservatory of Music Corporation for teaching or research purposes.

### **STATEMENT OF MOTIVES**

Act No. 77 of May 30, 1980, as amended, created the Puerto Rico Conservatory of Music Corporation as an autonomous corporation and entity, with the purpose of reinforcing and strengthening the academic autonomy of musical education, and for promoting and adequately administering the programs and operations of the Puerto Rico Conservatory of Music.

The Conservatory, as a body of higher learning, and because of its obligation to serve the culture and the public of Puerto Rico, has the mission of providing to the Puerto Rican community, especially to its youth, the programs necessary for the education and perfection of musical abilities, including offering higher learning study programs oriented towards the development of the musical arts. Additionally, the Puerto Rico Conservatory of Music prepares the necessary artistic element who, in the future may form the center around which the Puerto Rico Symphonic Orchestra and other musical organizations in the country operate and are

nurtured. It also coordinates government efforts with private business, industry and individual citizens interested in the programs and activities of the Conservatory. Annually, the rector, heading the Conservatory, submits a report of the activities that have been undertaken by the Board of Directors of the Conservatory, the Governor, and the Legislature of Puerto Rico.

The current code of laws permits university level private education institutions to be exempt from payment of taxes under Section 2038, subsection B of the Internal Revenue Code of 1994. Under this subsection, non-profit institutions are exempted from the payment of excise taxes. However, the Puerto Rico Conservatory of Music is excluded, since its prior registration in the Department of State as a non-profit institution is required, to be able to claim the protection granted by this Section of the Act. On the other hand, the University of Puerto Rico, which had also been excluded by this law, obtained an exemption from the payment of excise taxes some years ago, by means of an amendment to Section 2041 of Act No. 120 of October 31, 1994.

In summary, it has been the law, as amended, which recognizes private education institutions and the University of Puerto Rico, whose educational objectives are similar to those of the Conservatory, and grants them an exemption from the payment of excise taxes on the purchase of materials and articles for teaching purposes. However, that is not so with the Conservatory of Music of Puerto Rico, placing this institution at a clear competitive disadvantage in respect to similar education institutions in Puerto Rico.

Although the Conservatory of Music receives federal funds specifically destined to foster its academic programs annually, according to the applicable federal regulation for said programs, the funds granted can be

used exclusively and only for the purposes included in the proposal. The programs expressly and specifically exclude the use of Funds to pay any tax, duty or charge over any articles acquired. Thus, the Conservatory of Music of Puerto Rico must make large disbursements from its limited budget to be able to pay for these expenses, instead of using that money for educational purposes, which is its main objective.

Since education has always been, and shall continue to be one of the main and most valuable aspects of the cultural, social and economic development of a people, these being purposes for which the Conservatory was created, and with which it fully complies, we deem it necessary to exempt the Puerto Rico Conservatory of Music, from the payment of excise taxes on purchases made for the institution's teaching purposes.

Due to the reasons expressed herein and with the intent of establishing equality of conditions among the higher learning institutions of Puerto Rico, it is necessary to extend the benefits of the exemption from the payment of excise taxes that the Internal Revenue Code grants to non-profit educational institutions duly registered with the Department of State and to the University of Puerto Rico, to the Puerto Rico Conservatory of Music.

**BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:**

Section 1.- Subsection (j) is added to Section 2041 of Act No. 120 of October 31, 1994, as amended, to read as follows:

“Section 2041.- Exemption on Articles acquired by Governmental Agencies.

(a) ...

(j) Also exempt from payment of excise taxes shall be Articles, materials and musical instruments acquired by the Puerto Rico Conservatory

of Music Corporation for the Conservatory's purposes of teaching and research."

Section 2.- This Act shall take effect immediately after its approval.