

(H. B. 501)

**(No. 159-2014)**

(Approved September 19, 2014)

**AN ACT**

To amend Sections 1031.03, 1051.08, 1061.22, 1062.08, 1081.01, 1116.13, 3050.01, 4041.01, 5023.01, 5023.12, 5033.02, 6080.16, and 6100.10 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to make technical amendments; and for other related purposes.

**STATEMENT OF MOTIVES**

With the recent approval of the Puerto Rico Internal Revenue Code of 2011, justice has been served to taxpayers by significantly reducing their tax burden. It is important to constantly review the tax provisions in effect to ensure that they are consistent with the legislative intent and are not subject to interpretations contrary thereto. Therefore, this Legislative Assembly deems it pertinent to make these technical amendments to Act No. 1-2011, as amended, better known as the “Puerto Rico Internal Revenue Code of 2011,” for the purpose of clarifying its scope and content.

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

Section 1.- Paragraph (7) of subsection (a) of Section 1031.03 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1031.03.- Adjusted Gross Income

(a) ...

(7) Alimony.- The deduction allowed by Section 1033.13; and

(8) ...”

Section 2.- Paragraph (3) of subsection (b) of Section 1051.08 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1051.08.- Tax Credit Moratorium

(a) ...

(b) Credits subject to moratorium:

(1) ...

(3) Subsection (a) of Section 11 of Act No. 178 of August 18, 2000, as amended, known as the Act to create a Theater District whose parameters shall cover from Calle Bolívar to Calle Ernesto Cerra in Santurce;

(4) ...

(c) ...”

Section 3.- The title of Section 1061.22 of Act No.1-2011, as amended, is hereby amended to read as follows:

“Section 1061.22.- Special Rules for the Application of Sections 1061.20 and 1061.21 of this Subtitle.

...”

Section 4.- Paragraph (2) of subsection (b) of Section 1062.08 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1062.08.- Tax Withholding at the Source in the Case of Nonresident Individuals, due to the Revocation of the Authorization to do Business in Puerto Rico, for the Sale of Certain Assets, and in the Case of Certain Exempt Organizations.

(a) ...

(b) Return and Payment.-

(1) ...

(2) Public Shows.- Any person engaged in any form whatsoever in the business of public shows, functions, or exhibitions and that, in connection therewith, is required to deduct and withhold any tax under this Section shall file a return and pay the tax to the Secretary on the day after each public show, function, or exhibition is held, rather than within the terms prescribed in paragraph (1) of this subsection and on the date prescribed in Subtitle F. Every such person shall be liable to the Secretary for the payment of such tax and shall not be liable to any other person for the amount of any such payments.

(c) ...”

Section 5.- Subclause (II) of clause (vii) of subparagraph (B) of paragraph (1), and clause (iii) of subparagraph (D) of paragraph (2) of subsection (g) of Section 1081.01 of Act No.1-2011, as amended, are hereby amended to read as follows:

“Section 1081.01.- Employee Trusts

(a) ...

(g) Definitions and Rules Applicable to Employee Stock Ownership Plans.-

For purposes of this Section:

(1) Employee Stock Ownership Plan.-

(A) ...

(B) Additional Requirements.- ...

(i) ...

(vii) For purposes of clause (iv), the provisions of

subclause (I):

(I) ...

(II) A person shall be treated as failing to meet the twenty-five percent (25%) limitation established under clause (iv)(II) of this paragraph, if the person fails to meet said limitation at any time during the one (1)

year period ending on the date of the sale to the plan of the qualified stock or on the date on which the qualified stock is allocated to the participants in the plan.

(viii) ...

(C) ...

(2) Employer Stock.-

(A) ...

(D) Application to Controlled Groups of Corporations. -

(i) ...

(iii) For purposes of clause (i), if the common parent corporation owns directly stock possessing all of the total combined voting power of all classes of stock and all the nonvoting stock in a first tier subsidiary, and if said subsidiary owns directly stock possessing at least fifty percent (50%) of the total combined voting power of all classes of stock and at least fifty percent (50%) of each class of nonvoting stock in a second tier subsidiary of the common parent corporation, such second tier subsidiary (and all other corporations below it in the chain that would meet the eighty percent (80%) test of Section 1010.04(a) if the second tier subsidiary were the common parent corporation) they shall be treated as includible corporations in the controlled group of corporations.

(h) ...

...”

Section 6.- Section 1116.13 of Act No.1-2011, as amended, is hereby amended to read as follows:

“Section 1116.13.- Solid Waste

Entities covered under Act No. 159-2011, better known as the ‘Tax Incentives Act for the Investment in Solid Waste Reduction, Disposal and/or Treatment Facilities,’ or any other preceding or successor similar law.”

Section 7.- Subparagraph (A) of paragraph (1) of subsection (a) of Section 3050.01 of Act No.1-2011, as amended, is hereby amended to read as follows:

“Section 3050.01.- License Fees for Wholesale or Retail Dealers of Certain Goods

(a) ...

(1) For purposes of this section and the other provisions applicable to this Subtitle, the following terms shall have the meaning expressed herein below:

(A) ‘Dealer’ shall mean any person who is engaged in the business of selling or exchanging goods, whether at a fixed place or as an itinerant merchant, or who displays the goods to the public in a shop window, unless such goods, in a strictly indispensable number, do not have any other purpose than the exhibition of such goods, or that acquires goods in such amount over normal consuming needs. The term ‘dealer’ does not include a person engaged in the financial leasing or daily rental of goods and who, incidental to said business or businesses, sells goods object of financial leasing or daily rental.

(B) ...

(b) ...”

Section 8.- Section 4041.01 of Act No.1-2011, as amended, is hereby amended to read as follows:

“Section 4041.01.- Accounting Method

For purposes of this Subtitle, all merchants shall use the same accounting method they use to report their income in their income tax returns. In any case, the responsibility for the merchant’s payment of the Sales and Use Tax shall begin the moment he/she receives payment from the client. In the case of nonprofit entities, they shall use the accounting method used to keep their accounting books.”

Section 9.- The first paragraph of Section 5023.01 of Act No. 1-2011, as amended, is hereby numbered as subsection (a) to read as follows:

“Section 5023.01.- Exempt Persons, Organizations, and Agencies

(a) Distilled spirits and alcoholic beverages shall be exempt from taxation as provided in this Subtitle when they are sold or transferred to the following persons, agencies, and organizations:

(1) ...  
...”

Section 10.- Subsection (c) of Section 5023.12 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 5023.12.- Loss of Bonded Distilled Spirits and Alcoholic Beverages

(a) ...

(c) The distiller, rectifier, manufacturer, or owner of the alcoholic beverages or distilled spirits shall not be liable for the payment of excise taxes on lost distilled spirits or alcoholic beverages because of a culpable or negligent act carried out by his/her employees in those cases in which the distiller, rectifier, manufacturer, or owner of the product can prove that he/she took prudent and reasonable measures to prevent the occurrence of said loss, and when the treasury will not suffer any damage because the lost product was replaced by another on which the appropriate taxes shall be paid.

(d) ...”

Section 11.- Paragraph (8) of subsection (a) of Section 5033.02 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 5033.02.- Limitation in the Size of the Containers

(a) ...

(1) ...

(8) Distilled spirits other than rum that have an alcohol content of forty percent (40%) or more per volume (eighty (80) degrees proof or more), which are imported or introduced by industrial plants with bonded warehouses authorized by the Secretary to be used as ingredients in the manufacture of alcoholic beverages.

(9) ...

(b) ...

...”

Section 12.- Paragraph (1) of Subsection (a) of Section 6080.16 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 6080.16.- Time for Performing Certain Acts Postponed by Reason of Military Service during an Armed Conflict

(a) ...

(1) In General.- In the case of an individual: serving in the Armed Forces of the United States, or serving in support of such Armed Forces, in an area designated by the President of the United States by Executive order as a ‘combat zone,’ or when deployed outside Puerto Rico or the United States away from the individual’s permanent duty station while participating in an operation designated by the Secretary of Defense as a contingency operation (as defined in Section 101(a)(13) of Title 10, United States Code), or which became such a contingency operation by operation of law, at any time during the period designated by the President by Executive Order as the period of combatant activities in such zone for purposes of such Section or at any time during the period of service in such combat zone or contingency operation, plus the period of continuous qualified hospitalization attributable to such injury, and the next six (6) months thereafter, shall be disregarded and be deemed to be suspended for purposes of the terms

established in this Code for determining any tax liability (including any interest, surcharge, penalty, or addition to the tax) of such individual, under this Code, including, but not limited to:

- (A) ...
- (2) ...
- (b) ...”

Section 13.- Subparagraph (B) of paragraph (2) of subsection (b) of Section 6100.10 of Act No.1-2011, as amended, is hereby amended to read as follows:

“Section 6100.10.- Definitions and Special Rules

- (a) ...
  - (b) ...
    - (1) ...
    - (2) ...
      - (A) ...
      - (B) any decision in a proceeding initiated under this Chapter.
  - (c) ...
- ...”

Section 14.- This Act shall take effect immediately after its approval.



## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 159-2014 (H. B. 501)** of the **4<sup>th</sup> Regular Session** of the **17<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend Sections 1031.03, 1051.08, 1061.22, 1062.08, 1081.01, 1116.13, 3050.01, 4041.01, 5023.01, 5023.12, 5033.02, 6080.16, and 6100.10 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to make technical amendments; and for other related purposes.

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

In San Juan, Puerto Rico, on this 29<sup>th</sup> day of June, 2016.

Juan Luis Martínez Martínez  
Director