

(H. B. 3808)

(No. 179-2012)

(Approved August 16, 2012)

AN ACT

To amend Section 1031.02 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”; Section 1034.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”; subsection (j) of Section 2 of Act No. 135-1997, as amended, known as the “Tax Incentives Act of 1998”; subsection (j) of Section 2 of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico”; subsection (b) of Section 5.01 of Act No. 83-1991, as amended, known as the “Municipal Property Tax Act of 1991”; subsection (a) of Section 402 of Act No. 60 of June 18, 1963, as amended, known as the “Uniform Securities Act”; Section 3 of Act No. 6 of October 19, 1954, as amended, known as the “Investment Companies Act of Puerto Rico”; and subsection (b) of Section 3 of Act No. 214-1995, as amended, known as the “Act to Regulate the Financial Intermediation Business,” in order to provide the Puerto Rico Education and Rehabilitation Society with alternatives that allow it to obtain the necessary resources for its social welfare services.

STATEMENT OF MOTIVES

Founded in 1950, the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico), is a community-based non-profit institution that offers physical medicine and rehabilitation services, including, but not limited to early stimulation, physical restoration, education, orientation and referrals, intervention, and support services to persons with autism and other disabilities. SER de Puerto Rico is the only pediatric physical medicine and rehabilitation center currently operating in Puerto Rico with centers in San Juan and Ponce. SER de Puerto Rico is establishing partnerships with other municipalities to expand its services to other areas of the Island.

In 2008, the U.S. Census Bureau estimates showed that 7.67% of Puerto Rico's population under the age of seventeen (17) has a disability, that is, some 75,000 children who need specialized services geared towards developing their skills and abilities. Said services would allow them to be more independent and to participate on the Island's social and work environments.

Moreover, a study conducted by the independent firm *Estudios Técnicos, Inc.* in 2007 entitled *Estudio de Necesidades Sociales de Puerto Rico* (Study on Social Needs in Puerto Rico), estimated that for every dollar (\$1) transferred to a non-profit organization to provide health services, the government would have to invest seven dollars (\$7) to provide the same services. Likewise, for every dollar (\$1) transferred to provide education services, the government would have to invest eleven dollars (\$11) to directly provide said services. This is an example of the impact that non-government organizations have on improving the quality of life of families, as well as of the capability that these organizations have to complement the work conducted by the state through its agencies. Each year, SER de Puerto Rico provides direct services to over 2,000 participants, as well as orientation, referrals, and support services to over 10,000 participants. Since its foundation in 1950, approximately 200,000 persons have benefited from the direct and indirect services rendered by SER de Puerto Rico.

SER de Puerto Rico generates 73% of its income from donations made by individuals and private corporations through fund raising events conducted throughout the year; 15% from government grants, private, and/or corporate foundations; 5% from United Way of Puerto Rico; and 7% from payments for services rendered to patients with health insurance or who are under any other type of service contract with a government agency. In recent years, and in spite of the many efforts made, SER de Puerto Rico has operated with a deficit, thus being

forced to cut services and treat fewer participants. As a result, all facility improvements and/or expansion plans have been postponed indefinitely.

It is the duty of the Legislative Assembly of Puerto Rico to take corrective measures to address the socio-economic situation of the Island and provide innovative alternatives to improve the quality of life of our communities. Therefore, this legislation provides for the mechanisms to establish financial alternatives for the financial and banking sectors of Puerto Rico in order for said sectors to facilitate and support the fulfillment of this socio-economic responsibility without posing an additional burden on the treasury. This legislation is designed to provide the appropriate legal and tax framework to allow SER de Puerto Rico to raise the funds needed to achieve the aforementioned objectives through certain amendments to the Internal Revenue Code for a New Puerto Rico, the Tax Incentives Act of 1998, the Economic Incentives Act for the Development of Puerto Rico, the Municipal Property Tax Act of 1991, the Uniform Securities Act, the Puerto Rico Investment Companies Act of 2013, and the Act to Regulate the Financial Intermediation Business.

It is the intent of the Legislative Assembly to enable SER de Puerto Rico to address the needs of this sector of the population, which requires their services on a daily basis, by raising the necessary funds.

BE IT ENACTED BY THE HOUSE OF REPRESENTATIVES [sic] OF PUERTO RICO:

Section 1.- Subsection (a)(3)(L) of Section 1031.02 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” is hereby amended to read as follows:

“Section 1031.02.- Exemptions from Gross Income

(a) The following income items shall be exempt from taxation under this Subchapter:

(1) ...

(3) Tax Exempt Interest.- Interest on:

(A) ...

(L) Obligations issued by:

(i) The Conservation Trust of Puerto Rico, as created and operated pursuant to Deed No. 5 of January 23, 1970, executed before Notary Luis F. Sánchez-Vilella;

(ii) the Housing and Human Development Trust of Puerto Rico, as created and operated pursuant to Deed No. 135 of May 15, 2004, executed before Notary José Orlando Mercado-Gelys; and

(iii) the Monument Trust of San Juan; provided, that the same obtains and maintains an exemption under Section 1101.01 of the Code, whose purpose is to raise funds for the restoration and maintenance of the San José Church in Old San Juan; and

(iv) the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico); provided, that it obtains and maintains an exemption under Section 1101.01 of the Code. The exemption from gross income and the tax exemption on interest accrued on the obligations mentioned in this subparagraph (L) shall not be affected by the fact that the source of funding for the payment of such interest originates directly or indirectly from other obligations or financial instruments whose tax treatment is different than the tax treatment of the obligations mentioned in this subparagraph (L).

(M) ...”

Section 2.- Subsection (m) is hereby added to Section 1034.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” to read as follows:

“(a) ...

...

(m) To facilitate obtaining funds in order to fulfill its purposes, any note, promissory note, bond, or other instrument issued by the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico), the transfer thereof, and the income originated therefrom (including any proceeds from the sale thereof), shall be and remain at all times exempt from the payment of income tax of the Commonwealth of Puerto Rico or any of its political subdivision.”

Section 3.- Subsection (b) of Section 5.01 of Act No. 83-1991, as amended, known as the “Municipal Property Tax Act of 1991,” is hereby amended to read as follows:

“Section 5.01.- Property Exempt from Taxation

(a) ...

(b) The property of the United States and all property exempt from the payment of taxes by the laws of the United States; the property of the Commonwealth of Puerto Rico, of the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico), of the Puerto Rico Housing and Human Development Trust and of the Conservation Trust of Puerto Rico, except as provided in Section 3.16 of this Act; the property of any municipality exclusively set aside for public use, even though said property is a source of revenue for the municipality to which it belongs. In those cases where the Commonwealth Government has assigned or later assigns lands or property belonging to it in usufruct to private persons or entities, said lands or property thus assigned shall be

subject to the property tax laws and the usufructuaries shall be required to pay such taxes. In the event said usufructs are for a term of more than five (5) years, or for life, the usufructuaries shall be deemed to be the owners of the property for the purpose of tax exemption laws and ordinances.

(c) ...”

Section 4.- Subparagraph (N) is hereby added to paragraph (1) of subsection (j) of Section 2 of Act No. 135-1997, as amended, known as the “Tax Incentives Act of 1998,” to read as follows:

“Section 2.- Definitions

(a) ...

...

(j) Income from eligible activities.

(1) The interest and dividends on eligible funds invested by the exempt business in:

(A) ...

...

(N) obligations issued by the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico); provided, that it obtains and maintains an exemption under Section 1101.01 of Act No. 1-2011, as amended, known as the ‘Internal Revenue Code for a New Puerto Rico.’”

Section 5.- Subparagraph (L) is hereby added to paragraph (1) of subsection (j) of Section 2 of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico,” to read as follows:

“Section 2.- Definitions

(a) ...

...

(j) Income from eligible activities:

(1) The interest and dividends on eligible funds invested by the exempt business in:

(A) ...

...

(L) obligations issued by the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico); provided, that it obtains and maintains an exemption under Section 1101.01 of Act No. 1-2011, as amended, known as the ‘Internal Revenue Code for a New Puerto Rico.’”

Section 6.- Paragraph (15) is hereby added to subsection (a) of Section 402 of Act No. 60 of June 18, 1963, as amended, known as the “Uniform Securities Act,” to read as follows:

“Section 402.- Exemptions

(a) The following securities are exempt from the application of Sections 301 and 403 of this Act:

(1) ...

...

(15) Any securities issued by and which constitute an interest in, or in an obligation of, or secured by the Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico).

(b) ...”

Section 7.- Section 3 of Act No. 6 of October 19, 1954, as amended, known as the “Investment Companies Act of Puerto Rico,” is hereby amended to read as follows:

“Section 3.- Exemptions

...

The Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico) and the Housing and Human Development Trust of Puerto Rico, as it has been created and is operated pursuant to Public Deed No. 135 of May 7, 2004, executed before Notary José Orlando Mercado-Gely, are hereby exempt from the application of this Chapter.”

Section 8.- Subsection (b) of Section 3 of Act No. 214-1995, as amended, known as the “Act to Regulate the Financial Intermediation Business,” is hereby amended to read as follows:

“(a) ...

(b) The Puerto Rico Education and Rehabilitation Society (SER de Puerto Rico) and the Housing and Human Development Trust of Puerto Rico, as it has been created and is operated pursuant to Public Deed No. 135 of May 7, 2004, executed before Notary José Orlando Mercado-Gely, are hereby exempt from the application of this Chapter.”

Section 9.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 179-2012 (H. B. 3808)** of the **7th Regular Session** of the **16th Legislative Assembly of Puerto Rico**:

AN ACT to amend Section 1031.02 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”; Section 1034.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”; subsection (j) of Section 2 of Act No. 135-1997, as amended, known as the “Tax Incentives Act of 1998”; subsection (j) of Section 2 of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico”; subsection (b) of Section 5.01 of Act No. 83-1991, as amended, known as the “Municipal Property Tax Act of 1991”; subsection (a) of Section 402 of Act No. 60 of June 18, 1963, as amended, known as the “Uniform Securities Act”; Section 3 of Act No. 6 of October 19, 1954, as amended, known as the “Investment Companies Act of Puerto Rico”; and subsection (b) of Section 3 of Act No. 214-1995, as amended, known as the “Act to Regulate the Financial Intermediation Business,” in order to provide the Puerto Rico Education and Rehabilitation Society with alternatives that allow it to obtain the necessary resources for its social welfare services.

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

In San Juan, Puerto Rico, on this 13th day of December, 2017.

Orlando Pagán-Ramírez
Acting Director