

(H. B. 4444)

(No. 192)

(Approved August 4, 2004)

AN ACT

To appropriate recurrent funds for several horse racing events in Puerto Rico and to grant a tax exemption to the income derived from the same events.

STATEMENT OF MOTIVES

Since the last years of the 19th Century, regulated and orderly horse races have been held in Puerto Rico. The support of the Puerto Rican fans has been so great that it has become a national sport whose races are broadcast on local radio and television five times per week for four hours daily. This sport/industry generates approximately 9,000 direct and indirect jobs and represents a social and sports event for the enjoyment of the Puerto Rican people.

In 1996, precisely in Puerto Rico and shortly after the Central American and Caribbean Games held in San Juan, Puerto Rico, the first *Clásico del Caribe* was held in which *Victoriado* of Venezuela won. From that time on, the international event was established and today it is the incentive that motivates our horse breeders to invest in breeding to attain the ideal horse that will achieve glory for the country as it was previously done by *Wiso G*, *Vuelve Candy B*, *Verset Dancer*, *Guaybanex* and *Verset Jet*, among others.

In 1984, an international race for horses 3 years old or over was added, which was named *Copa Confraternidad del Caribe*. It was a complete success which has allowed for its uninterrupted annual celebration along

with *Clásico del Caribe*.

Both *Clásico Internacional del Caribe* and *Copa Confraternidad* are held on the same sports day and/or weekend. The Government of Puerto Rico, aware of their importance and the need to motivate the horse racing industry, granted a tax exemption on all prizes won by the owners, jockeys, trainers and breeders. Likewise, the prizes were also exempted from taxes.

Two new international races for three year old horses were introduced in 2002: *Copa Dama del Caribe* to give an exclusive opportunity to young mares, and *Copa Velocidad del Caribe* for caribbean sprinters who lack the necessary stamina to compete successfully in *Clásico del Caribe*.

This opens the door to more tourists and visitors, since the greater participation of racehorses the more persons participating thus resulting in an effective movement of the economy by means of increasing hotel occupancy and generating larger income for our Island. These races are celebrated on the same weekend as *Clásico del Caribe*, creating extraordinary interest among fans and visitors, bringing about what is now called “*Festival Hípico Internacional y del Caribe*.”

It is also deemed, that these races being of international level should have the same benefits and incentives as *Clásico del Caribe* and *Copa Confraternidad*. For purposes of giving these races equal footing, and any other horse racing event of this caliber and international participation, the approval of a tax exemption as well as exemption from the Puerto Rico Excise Tax Act, if applicable, on the prizes is requested herein.

Since 2001, is in awareness of the need to participate in important international events, the Government of Puerto Rico approved through the Tourism Industry Development Fund, administered by the Tourism Company, an appropriation of four hundred fifty thousand (450,000) dollars

to defray the prizes as follows: three hundred thousand (300,000) dollars for *Clásico del Caribe*, and one hundred thousand (100,000) dollars for *Copa Confraternidad*, as well as fifty thousand (50,000) dollars to defray the broadcasting expenses of these events through the prominent international sports channel ESPN. In the course of this broadcast, a five minute segment shall be devoted to the presentation of the beauty of our island, as well as to an interview with the Executive Director of the Tourism Company. During the thirty minute program, there shall be three television advertisements (spots) about the Tourism Company publicity campaigns. Undoubtedly, this shall be an excellent promotional window reaching more than 200,000 million television viewers around the world.

The Legislature wishes for this annual appropriation to become a commitment of law for *Clásico Internacional del Caribe* and its additional related events to allow Puerto Rico to become the permanent seat of these prestigious horse racing events. For said purposes, it is hereby directed that the Tourism Company shall appropriate five hundred thousand (500,000) dollars each year from the Tourism Industry Development Fund for the Horse Racing Industry and Sport Administration to defray the prizes and broadcasting of events pertaining to the holding of *Clásico Internacional del Caribe*.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Section 5, subsection (a), clause (5) of Act No. 221 of May 15, 1948, as amended, is hereby amended to read as follows:

- (a) ...
- (b) ...
- (c) For fiscal years beginning ...
 - (1) ...

- (2) ...
- (3) ...
- (4) ...
- (5) Nine (9) percent surplus of net annual income shall be remitted monthly into a special fund, separated from the general funds of the Tourism Company denominated the “Puerto Rico Tourism Industry Development Fund.” The fund shall be devoted to the strengthening and development of the tourism industry. The disposition, use or accounting of this fund shall require, in all cases, the approval of the Board of Directors of the Tourism Company, except for an annual appropriation of five hundred thousand (500,000) dollars from said fund to be appropriated to the Horse Racing Industry and Sport Administration to be used to defray the prizes and broadcasting of the events related to *Clásico Internacional del Caribe*. Provided, that the funds shall only be appropriated when said events are held in Puerto Rico.”

Section 2.- The last paragraph of Section 2055 of Chapter 4 of the Internal Revenue Code of Puerto Rico is hereby amended to read as follows:

“Section 2055.- Taxes on Race Track Prizes

...

Prizes obtained by the owners of racehorses finishing in the first five (5) positions in *Festival Hípico Internacional del Caribe*, to wit: *Clásico del Caribe*, *Copa Confraternidad*, *Copa Dama del Caribe* and *Copa Velocidad del Caribe*, are hereby exempted from the tax imposed in this Section.”

Section 3.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 192 (H.B. 4444) of the 7th Session of the 14th Legislature of Puerto Rico:

AN ACT to appropriate recurrent funds for several horse racing events in Puerto Rico and to grant a tax exemption to the income derived from the same events,

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

In San Juan, Puerto Rico, today 2nd of June of 2005.

Luis E. Fusté-Lacourt
Director