

(H. B. 2981)

**(No. 208-2016)**

(Approved December 28, 2016)

## **AN ACT**

To amend Act No. 135 of May 9, 1945; Act No. 148 of May 10, 1948; Act No. 7 of March 4, 1955; Act No. 72 of June 21, 1962; Act No. 168 of June 30, 1968; Act No. 54 of June 21, 1971; Act No. 47 of June 26, 1987; Act No. 52 of August 11, 1989; Act No. 83-1991; Act No. 225-1995; Act No. 165-1996; Act No. 46-2000; Act No. 213-2000; Act No. 140-2001; Act No. 183-2001; Act No. 244-2003; Act No. 73-2008; Act No. 74-2010; Act No. 83-2010; Act No. 27-2011; Act No. 20-2012; Act No. 22-2012; Act No. 1-2013; and Act No. 187-2015, known as the “Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico Act,” in order to make technical amendments that allow for the orderly and effective implementation of Act No. 187-2015; extend the effective term of the Certificates of Compliance to two (2) years; and for other related purposes.

### **STATEMENT OF MOTIVES**

Act No. 187-2015, known as the “Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico Act,” represents one of the most comprehensive legislative pieces regarding the oversight and quantification of the tax incentives and benefits that have been enacted by legislation in recent decades. With this Act, we seek to validate and verify the information provided by taxpayers in order to determine whether the incentives granted by the Government of the Commonwealth of Puerto Rico are being used responsibly for the intended purpose. Thus, we ensure compliance with the public policy and effectively promote what economist Francisco Catalá has called “industrial linkages.” The Governing Principles introduced by Act No. 187-2015 promote linkages between Puerto Rican businesses and the businesses that enjoy the tax incentives offered by the Commonwealth of Puerto Rico more efficiently.

In spite of being a forefront legislation in the field of tax law, the complexity of said Act has caused a series of operational difficulties for its implementation. In order to facilitate the transition into an effective implementation of Act No. 187-2015, this Legislative Assembly deems it necessary to incorporate technical amendments into Act No. 187-2015 and the corresponding tax incentive laws.

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

Section 1.— Subsection (g) of Section 1 of Act No. 135 of May 9, 1945, as amended, is hereby amended to read as follows:

“Section 1.—

(a) ...

...

(g) In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Ports Authority of Puerto Rico and the Executive Director thereof shall be required to oversee and ensure compliance with all the provisions of this Act. The Executive Director shall be the sole official responsible for verifying and ensuring that public carriers who render air transportation services meet the eligibility requirements set forth in this Act.

The Executive Director shall be required and responsible for preparing a Certificate of Compliance every two years, once public carriers who render air transportation services validate, in the judgment of said official, that said public carriers have met the requirements set forth herein. The Executive Director shall verify the information submitted by the public carriers engaged in air transportation services every two years so that the Certificate of Compliance is issued no later than the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 2.— Section 2 of Act No. 148 of May 10, 1948, as amended, is hereby amended to read as follows:

“Section 2.— ...

The General Council on Education shall be required and responsible for preparing a Certificate of Compliance every two years, once the institution, college, academy, or school validate, in the judgment of said agency, that they have met the requirements set forth in this Act. Every two years, the Puerto Rico General Council on Education shall verify the information submitted by the institution, college, academy, or school so that the Certificate of Compliance is issued not later than the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 3.— Section 3 of Act No. 7 of March 4, 1955, as amended, is hereby amended to read as follows:

“Section 3.—

Once it has been...

It being understood, that a partially restored property....

In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Puerto Rico Institute of Puerto Rican Culture and the Executive Director thereof shall be required to oversee and ensure compliance with all the provisions of this Act. The Executive Director shall be the sole official responsible for verifying and ensuring that exempt persons meet the requirements established in this Act.

The Executive Director shall be required and responsible for preparing a Certificate of Compliance every two years, once exempt persons validate, in the judgment of said official, that they have met the requirements set forth in this Act. The Executive Director shall verify the information submitted by exempt persons every two years so that the Certificate of Compliance is issued not later than on the

fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 4.— Section 5 of Act No. 72 of June 21, 1962, as amended, is hereby amended to read as follows:

“Section 5.—

...

(a) ...

...

The Administrator shall be required and responsible for preparing a Certificate of Compliance every two years, once the Puerto Rico Milk Industry Inc. validates, in the judgment of said official, that it has met the requirements set forth in this Act. Every two years, the Administrator shall verify the information submitted by the Puerto Rico Milk Industry Inc. so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 5.— Subsection (e) of Section 1 of Act No. 168 of June 30, 1968, as amended, is hereby amended to read as follows:

“Section 1.—

Any natural or juridical person who, upon compliance with the formalities of this Act, engages in the operation of a hospital unit, as said term is hereinafter defined, may enjoy for a period of ten (10) years the following benefits:

(a) ...

...

(e) Extension of Credits and Exemptions. —

(1) ...

(2) Extension as of January 1<sup>st</sup>, 2015: Natural or juridical persons engaged in the operation of a hospital unit that, as of January 1<sup>st</sup>, 2015, have availed themselves of the tax exemption benefits provided in this Act, may continue to do so for an additional term of ten (10) years once the current exemption expires, subject to the provisions of this subsection (2). This additional ten (10)-year period shall take effect as of the date in which the application for such purposes is filed with the Secretary of the Treasury. Those natural or juridical persons engaged in the operation of a hospital unit and whose benefits expired prior to January 1<sup>st</sup>, 2015, may avail themselves of the benefits for an additional ten (10)-year period upon filing an application to such effect with the Secretary of the Treasury not later than January 31<sup>st</sup>, 2016, and if all other requirements of this Act are met. This additional ten (10)-year period shall take effect for taxable years beginning after December 31<sup>st</sup>, 2014.

In both cases, the ten (10)-year period shall only be granted to natural or juridical persons engaged in the operation of a hospital unit that:

(A) are up to date with the tax responsibilities imposed by any applicable laws of the Commonwealth of Puerto Rico or municipal ordinances, or who are up to date with the tax payment plan of which they have availed themselves;

(B) attest to their compliance with the governing principles established in Section 3 and Section 3-A of this Act;

(C) certify to the Department of the Treasury through a sworn statement that they comply with the provisions of Regulation 7617 of November, 20, 2008, of the Office of the Patient; that they have not requested any patient to waive the right to bring potential causes of action or claims before state and federal courts; and that they have not approved institutional policies, guidelines, or regulations that may hinder or impair the patients' right to receive medical attention.

However, to promote an adequate transition to the provisions established in this subsection (2), hospital units shall be allowed to enjoy the tax benefits and incentives established herein without having to meet all the aforementioned requirements, solely during the period between January 1st, 2015, and December 31st, 2016. Nonetheless, they shall prove that they meet the requirements established in this subsection (2) as of January 1<sup>st</sup>, 2017, if they wish to avail themselves of the benefits of this Act for the remaining eight (8) years.

Natural or juridical persons that have availed themselves of the benefits of this Act shall file a certification with the Secretary of the Treasury every two years on or before the last day of their taxable year attesting that the facilities, as well as the medical services rendered, meet the standards of medical excellence. Said certification shall be issued by the Secretary of Health and the criteria for the issuance thereof shall be prescribed by the Secretary of Health through regulations. Any inspection costs incurred by the Secretary of Health for the purpose of verifying the information supplied shall be reimbursed by every entity that has availed itself of the benefits of this Act.”

Section 6.– Subsection (d) and subsection (h) of Section 3 of Act No. 168 of June 30, 1968, as amended, are hereby amended to read as follows:

“Section 3.– Benefits - Requirements.-

(a) ...

(b) ...

(c) ...

(d) Submits to the Secretary of the Treasury not later than the fifteenth (15<sup>th</sup>) day of the fourth (4<sup>th</sup>) month following the close of its taxable year, a written report along with the corresponding updated financial statements, which clearly indicates the improvement and expansion of facilities and/or services, and any other

information as determined through regulations by the Secretary of the Department of the Treasury.

(e) ...

(f) ...

(g) ...

(h) Submits to the Secretary of Health any information and verification required by Section 3-A.”

Section 7.— Section 4 of Act No. 168 of June 30, 1968, as amended, is hereby amended to read as follows:

“Section 4.— Granting.—

The Secretary of the Treasury shall grant, upon examination and evaluation of the petition submitted by the interested party and in close collaboration and consultation with the Secretary of Health, the benefits established in this Act to any natural or juridical person applying therefor if the person encloses with his application a Certificate of Compliance duly issued by the Secretary of Health, as well as any other document required by this Act, if he finds that the award thereof is necessary and convenient to enhance or modernize the hospital facilities and the medical services rendered to the community in general, while taking into account the provisions of Sections 3 and 3-A of this Act. Likewise, the Secretary of the Treasury is hereby empowered to revoke any benefits awarded upon an administrative hearing, if he finds that the requirements and eligibility criteria of this Act and the Regulations thereunder have not been met.”

Section 8.— Section 5 of Act No. 168 of June 30, 1968, as amended, is hereby amended to read as follows:

“Section 5.— Definitions.—

(a) Hospital Unit.- As used in this Act, the term ‘hospital unit’ includes only those natural and juridical persons, or a combination thereof, that begin

operations, or whose facilities are built, after the effective date of this Act and shall mean:

(1) ...

(2) Extensions or expansions to the existing institution built within the premises of the hospital. In order for the extension or expansion to qualify, it shall be necessary for said extension or expansion to entail a substantial investment leading to the improvement of the medical-hospital services, and the same shall be notified to the Secretary of Health, who shall issue a certificate attesting to the fact that such extensions or expansions shall extend or modernize the hospital facilities and the medical services offered to the general community. Said Certificate shall be filed with the Department of the Treasury as a requirement to grant benefits under this Act. In no case shall any hospital unit be considered as such if it operates without a license issued by the Department of Health.

(3) ...

(4) ...

(b) ...”

Section 9.— Section 10 of Act No. 168 of June 30, 1968, as amended, is hereby amended to read as follows:

“Section 10.— Revocation.—

The Secretary of the Treasury shall revoke the benefits granted by this Act if the hospital unit enjoying such benefits or any of its members defaults on a payment ninety (90) days after the assessment of any tax debt or deficit, including, but not limited to, income taxes, excise taxes, tax withholdings, payment for professional services, municipal license taxes, or construction excise taxes. Likewise, the Secretary of the Treasury shall revoke the benefits granted by this Act in the event of default on a tax payment plan that is not settled within ninety (90) days following the notice of such default.



Every revocation issued by the Secretary of the Treasury shall take effect after the first day of the year in which the natural or juridical person owing the taxes, as determined by final and binding judgment, defaults on the payment plan.

None of the provisions herein shall prevent the Secretary of the Treasury from revoking the benefits granted to any operator of a hospital unit who fails to comply or violates any of the provisions of this Act while availing himself of the benefits granted hereunder.”

Section 10.— Section 11 of Act No. 168 of June 30, 1968, as amended, is hereby amended to read as follows:

“Section 11.— Duties of the Secretary, Certificate of Compliance, and Rulemaking Authority.—

In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentive or benefit granted under this Act, the Department of Health and the Secretary thereof shall be required to oversee and ensure that the Requirements and Governing Principles set forth in Section 3-A are met, and that all other provisions of this Act are complied with.

The Secretary of the Department of Health shall be responsible for verifying and ensuring that hospital units and the operators thereof meet the requirements of this Act, particularly those set forth in Section 3-A. If a hospital unit and the operators thereof fail to meet one or more of the requirements of Section 3-A due to criteria such as quality, quantity, price, or availability thereof in Puerto Rico, among other factors that, in the judgment of the Secretary of Health, hinder, impair, or prevent the successful operation of the incentivized activity within reasonable parameters, the Secretary of Health, in consultation with the Secretary of the Treasury, may issue a certificate attesting to such fact, exempting the hospital unit and the operators thereof, in whole or in part, from meeting the requirement in question.

If the hospital unit and the operators thereof fail to fully meet the requirements of Section 3-A, and fail to qualify for any of the exceptions to such provision, the Secretary of Health shall be responsible for establishing a formula, in consultation with the Secretary of the Treasury, that allows for the quantification of the factors set forth in said Section, and for the subtraction of the requirement that has not been met from the total percentage of the specific benefit or incentive granted by this Act, in order to obtain the exact percentage of the benefit or incentive in question.

The Secretary of Health shall be required and responsible for preparing a Certificate of Compliance every two years, once the hospital unit and the operators thereof validate, in the judgment of said official, that the hospital unit has met the requirements set forth in Section 3-A, and complied with the other provisions of this Act. Every two years, the Secretary of the Department of Health shall verify the information submitted by the hospital units and the operators thereof so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 11.— Section 7 of Act No. 54 of June 21, 1971, as amended, is hereby amended to read as follows:

“Section 7.—

...

The Secretary of Agriculture shall be required and responsible for preparing a Certificate of Compliance every two years, once the exempt persons validate, in the judgment of said official, that they have met the requirements of this Act. Every two years, the Secretary of Agriculture shall verify the information submitted by exempt persons so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 12.— Section 10 of Act No. 47 of June 26, 1987, as amended, is hereby amended to read as follows:

“Section 10.— Duties of the Secretary of Housing, Certificate of Compliance, Rulemaking Authority, and Adoption of Specifications.—

...

The Secretary of Housing shall be required and responsible for preparing a Certificate of Compliance every two years, once the owners of incentivized housing projects validate, in the judgment of said official, that they have met the requirements set forth in Section 3 and complied with all other provisions of this Act. Every two years, the Secretary of Housing shall verify the information submitted by the owners of incentivized housing projects so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 13.— Subsection (b) of Section 3 of Act No. 52 of August 11, 1989, as amended, is hereby amended to read as follows:

“Section 3.— Authority and Duties of the Commissioner.—

(a) ...

(b) In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Commissioner of Financial Institutions shall be required to oversee and ensure compliance with all the provisions of this Act. The Commissioner shall be the official responsible for verifying and ensuring that international banking entities meet the eligibility requirements established in this Act.

The Commissioner shall be required and responsible for preparing a Certificate of Compliance every two years, once the international banking entities validate, in the judgment of said official, that they meet the requirements of this Act. Every two years, the Commissioner shall verify the information submitted by

international banking entities so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 14.— Section 5.50 of Act No. 83-1991, as amended, is hereby amended to read as follows:

“Section 5.50.— Duties of the Secretary of the Department of Agriculture; Certificate of Compliance; Coordination between the Secretary of Agriculture and the Collection Center.

...

The Secretary of Agriculture shall be required and responsible for preparing a Certificate of Compliance every two years, stating that the farmer is engaged in the exploitation or operation of an activity that qualifies as land under intensive agricultural use once the agricultural business validates, in the judgment of said official, that it has met the requirements set forth in Section 5.43, as well as all other provisions of this Act. Every two years, the Secretary of Agriculture shall verify the information submitted by farmers annually so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 15.— Section 5 of Act No. 225-1995, as amended, is hereby amended to read as follows:

“Section 5.— Duties of the Secretary of the Department of Agriculture, Certificate of Compliance.—

...

The Secretary of the Department of Agriculture shall be required and responsible for preparing a Certificate of Compliance every two years, once the agricultural businesses validate, in the judgment of said official, that they have met the requirements set forth in Section 2-A, and complied with all other provisions of

this Act. The Certificate shall state that the *bona fide* farmer is engaged in the exploitation or operation of an activity that qualifies as an agricultural business. Every two years, the Secretary of Agriculture shall verify the information submitted by agricultural businesses so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 16.— Section 7 of Act No. 165-1996, as amended, is hereby amended to read as follows:

“Section 7.— Duties of the Secretary of the Department of Housing, Certificate of Compliance, Rulemaking Authority.—

...

The Secretary of Housing shall be required and responsible for preparing a Certificate of Compliance every two years, once the owners of the incentivized rental housing projects validate, in the judgment of said official, that they have met the requirements set forth in Section 2, as well as complied with all other provisions of this Act. Every two years, the Secretary of Housing shall verify the information submitted by the owners of incentivized rental housing projects so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 17.— Subsection (g) of Section 7 of Act No. 46-2000, as amended, is hereby amended to read as follows:

“Section 7.— Effectiveness and Fees for the Issuance of Licenses; Audits or Examination of the Funds; Certificates of Compliance.—

(a) ...

(b) ...

(g) Duties of the Commissioner, Certificate of Compliance.- In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Commissioner of Financial Institutions shall be required to oversee and ensure compliance with all the provisions of this Act. The Commissioner shall be the official responsible for verifying and ensuring that the Funds and their Associates meet the eligibility requirements established in this Act.

The Commissioner shall be required and responsible for preparing a Certificate of Compliance every two years, once the Associates validate, in the judgment of said official, that they have met the requirements set forth in this Act. Every two years, the Secretary shall verify the information submitted by Fund Associates so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 18.— Section 5 of Act No. 213-2000, as amended, is hereby amended to read as follows:

“Section 5.— Duties of the Secretary of Housing, Certificate of Compliance, Rulemaking Authority.—

In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentives or benefits granted under this Act, the Department of Housing and the Secretary thereof shall be required to oversee and ensure compliance with the Governing Principles set forth in Section 3 of Act No. 47 of June 26, 1987, as amended; the pertinent provisions of Act No. 124-1993, as amended; Section 2 of Act No. 165-1996, as amended; as well as with all other provisions of this Act and the regulations thereunder.

The Secretary of the Department of Housing shall be required and responsible for preparing a Certificate of Compliance every two years, once the owners of incentivized housing projects validate, in the judgment of said official, that they have met the requirements set forth in this Act. Every two years, the Secretary of Housing shall verify the information submitted by the owners of incentivized housing projects so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 19.— Subsection (f) Section 10 of Act No. 140-2001, as amended, is hereby amended to read as follows:

“Section 10.— Application for Credit; Requirements; Rights, Application Period.—

(a) ...

...

(f) Application Period.— The Executive Director shall not accept applications for or award the incentives, credits, deductions, and other benefits described in Section 1.2 of this Act after December 31<sup>st</sup>, 2015.”

Section 20.— Subsection (g) Section 17 of Act No. 183-2001, as amended, is hereby amended to read as follows:

“Section 17.— ...

...

(g) Application for the Tax Credit Certificate.—

(1) ...

(2) ...

(3) ...

(4) ...

(5) ...

(6) ...

(7) ...

(8) An appraisal or valuation report of the conservation easement or the eligible land that meets the requirements established by the Secretary of the Treasury through regulations, and the following:

(A) The report has been prepared using the appraisal methods applicable to conservation easements, such as the appraisal guidelines of the Land Trust Alliance and the U.S. Internal Revenue Service, as required by the Secretary of the Treasury through regulations.

(B) The report has been prepared by an appraiser duly licensed in Puerto Rico, who also holds a Certified Professional Appraiser license, and a General Certification, and has completed the courses on the appraisal of Conservation Easements in accordance with the practices recommended by the Land Trust Alliance Certification, and the Uniform Standards of Professional Appraisal Practice, as well as the Laws and Regulations course certifications, all of which shall be current at the time of drafting the conservation easement's valuation or appraisal report, a copy of which shall be enclosed with the report.

(C) ...”

Section 21.— Section 15 of Act No. 244-2003, as amended, is hereby amended to read as follows:

“Section 15.— Exemptions.—

...

...

The Secretary of Housing shall be required and responsible for preparing a Certificate of Compliance every two years, once the owners of incentivized housing projects validate, in the judgment of said official, that they have met the requirements set forth herein. Every two years, the Secretary of Housing shall verify the information submitted by the owners of incentivized housing projects so that the



Certificate of Compliance is issued not later than the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 22.— Subsection (b) and subsection (c) of Section 12 of Act No. 73-2008, as amended, are hereby amended to read as follows:

“Section 12.— Industrial Tax Exemption Office.—

(a) ...

(b) Duties of the Director, Certificate of Compliance.—

...

The Director shall be required and responsible for preparing a Certificate of Compliance every two years, once the exempt businesses validate, in the judgment of said official, that they have met the requirements of Section 1-A and complied with all other provisions of this Act. Every two years, the Director shall verify the information submitted by the exempt businesses so that the Certificate of Compliance is issued not later than the last day of the third (3<sup>rd</sup>) month after the close of the taxable year of the applicant.

Upon the filing of an application for a Certificate of Compliance with the Industrial Tax Exemption Office, the Director shall collect the fees for the processing thereof, which shall be payable by certified check, money order, or cashier’s check to the Secretary of the Treasury. The Secretary of Economic Development shall prescribe by regulations the application processing fees. Provided, that said regulations shall be revised every three (3) years after its approval.

The Certificate of Compliance shall include, in turn, the following information regarding the exempt business: the name of the business, the cadastre number of the property or properties connected to the business; the merchant registration number; the account connected to the business as required by the Puerto Rico Internal Revenue Code; the employer identification number; and the

information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act,’ as applicable.

...

(c) Sworn Statements Required by the Industrial Tax Exemption Office.—

The Tax Exemption Office shall require tax exemption decrees applicants to submit sworn statements attesting to the facts stated, required, or appropriate in order to determine whether the operations or the intended operations of the applicant qualify under the provisions of this Act.

As of January 1st, 2016, and every two years thereafter, applicants for new decrees issued by virtue of this Act shall be required to include a sworn statement along with statistical and pertinent information that validates the following:

(1) the number of jobs created or retained compared to the number of jobs the applicant committed to create under the decree;

(2) the percentage (%) of its operational needs that is acquired from raw materials from Puerto Rico and, if applicable, to indicate what percentage of its operational needs is acquired from raw material outside of Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such acquisition;

(3) the percentage (%) of its operational needs that is acquired from products manufactured in Puerto Rico and, if applicable, to indicate what percentage of its operational needs is acquired from products manufactured outside of Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such acquisition;

(4) the percentage (%) of materials used for the construction of facilities or for extensions thereof, acquired from companies with a presence in Puerto Rico and, if applicable, what percentage of such materials is acquired from businesses without presence in Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such acquisition;

(5) the percentage (%) of agricultural products from Puerto Rico that are acquired and, if applicable, to indicate what percentage of foreign agricultural products is acquired, and state in detail and to the satisfaction of the Director, the analysis made to justify such acquisition;

(6) the percentage (%) of land surveyed, production of construction plans, as well as engineering and architectural design services, and other related services contracted with companies or professionals with a presence in Puerto Rico and, if applicable, to indicate what percentage of such services is contracted from businesses or professionals without presence in Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such contracting;

(7) the percentage (%) of financial, environmental, technological, scientific, management, marketing, human resources, information technology, and auditing consulting services contracted with businesses or professionals with a presence in Puerto Rico and, if applicable, to indicate what percentage of such services is contracted from businesses or professionals without presence in Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such contracting;

(8) the percentage (%) of its commercial activity that employs banking services from banking institutions with a presence in Puerto Rico and, if applicable, to indicate what percentage of its commercial activity employs services from banking institutions without presence in Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such use;

(9) the percentage (%) of the advertising, public relations, commercial art, and graphic design services that are contracted with companies or professionals with a presence in Puerto Rico and, if applicable, to indicate what percentage of such services is contracted from businesses or professionals without presence in Puerto Rico, and state in detail and to the satisfaction of the Director, the analysis made to justify such contracting;

(10) the percentage (%) of security or facility maintenance services that are contracted with businesses with a presence in Puerto Rico and, if applicable, to indicate what percentage of such services is contracted from businesses without presence in Puerto Rico, and to state in detail and to the satisfaction of the Director, the analysis made to justify such contracting.”

Section 23.— Subsection (d) of Section 18 of Act No. 73-2008, as amended, is hereby amended to read as follows:

“Section 18.— Reports Required from Tax-exempt Businesses and their Stockholders or Partners.—

(a) ...

(b) ...

(c) ...

(d) Every tax-exempt business that holds a decree granted under this Act shall file annually with the Tax Exemption Office, along with a copy to the Secretary of the Treasury and to the Executive Director, not later than thirty (30) days as of the date prescribed by law for filing the corresponding income tax return, including time extensions granted for such a purpose, a report authenticated by the signature of the President, managing partner, or his authorized representative. Said report shall contain an account of data ascertaining compliance with the conditions established in the decree for the taxable year immediately preceding the filing date thereof including, but not limited to, the following: average number of jobs; products

manufactured or services rendered; raw material or manufactured products acquired in Puerto Rico; professional, consulting, security and/or maintenance services contracted with professionals or businesses with a presence in Puerto Rico; banking transactions carried out through institutions with a presence in Puerto Rico, and the local economic activity that all of the above represents; as well as any other information that may be required in the form to be adopted for this purpose or as required by Regulations. This report shall enclose the fees provided through Regulations and these shall be payable by postal money order or cashiers or certified check in the amount of three hundred dollars (\$300) to the Secretary of the Treasury. The information furnished in this annual report shall be used for purposes of statistics and economic studies, in accordance with this Act. Likewise, the Industrial Development Company shall conduct every two (2) years, at the least, an audit to ascertain compliance with the terms and conditions of the decree granted under this Act.”

Section 24.— Section 1-B of Act No. 74-2010, as amended, is hereby amended to read as follows:

“Section 1-B.— Duties of the Executive Director, Certificate of Compliance.-  
...

The Executive Director shall be required and responsible for preparing a Certificate of Compliance every two years, once the exempt business validates, in the judgment of said official, that it has met the requirements set forth in Section 1-A, and complied with all other provisions of this Act. Every two years, the Executive Director shall verify the information submitted by exempt businesses so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 25.– Subsection (b) of Section 2.17 of Act No. 83-2010, as amended, is hereby amended to read as follows:

“Section 2.17.– Governing Principles; Duties of the Director; Certificate of Compliance; and Other Procedures.–

(a) Governing Principles for the Granting of Incentives.–

...

(b) Duties of the Director, Certificate of Compliance.–

...

The Director shall be required and responsible for preparing a Certificate of Compliance every two years, once the exempt business validates, in the judgment of said official, that it has met the requirements set forth in subsection (a) of this Section and complied with the other provisions of this Act. Every two years, the Director shall verify the information submitted by exempt businesses annually so that the Certificate of Compliance is issued not later than the last day of the third (3<sup>rd</sup>) month after the close of the taxable year of the applicant.

Upon the filing of an application for a Certificate of Compliance with the Industrial Tax Exemption Office, the Director shall collect the fees for the processing thereof, which shall be payable by certified check, money order, or cashier’s check to the Secretary of the Treasury. The Secretary of Economic Development shall prescribe by regulations the application processing fees. Provided, that said regulations shall be revised every three (3) years after its approval.

The Certificate of Compliance shall include, in turn, the following information regarding the exempt business: the name of the business, the cadastre number of the property or properties connected to the business; the merchant registration number; the account connected to the business as required in the ‘Puerto Rico Internal Revenue Code; the employer identification number; and the

information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act.’

Section 26.— A new subsection (g) is hereby added to Section 3.1 of Act No. 27-2011, as amended, to read as follows:

“Section 3.1.— Grants in general.—

(a) ...

...

(g) Grants awarded in accordance with this Act shall require grantees’ compliance with the Governing Principles listed in Section 3.2-A of this Chapter.”

Section 27.— A new Section 3.2-A is hereby added to Act No. 27-2011, as amended, to read as follows:

“Section 3.2-A.— Governing Principles for Awarding Grants.—

In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentive or benefit granted under this Act, the Secretary of Economic Development shall be required to oversee and ensure compliance with the following Governing Principles as provided below:

(a) Jobs.—

The incentivized activity and the grantee promote the creation of new jobs.

(b) Sound Integration.—

The conceptual design and planning of the incentivized activity shall be carried out, first of all, taking into account environmental, geographical, and physical aspects as well as the materials and goods that are abundantly available in the site where it is to be developed.

(c) Commitment to Economic Activity.–

The grantee acquires raw materials and products manufactured in Puerto Rico for the construction, maintenance, renovation or expansion of the physical facilities thereof. If the purchase of said products cannot be financially justified when taking into account criteria such as the quality, quantity, price, or availability of these products in Puerto Rico, the Secretary of Economic Development may issue a certificate attesting to such fact.

(d) Commitment to Agriculture.–

The grantee acquires agricultural products of Puerto Rico for the operation thereof. If the purchase of said products cannot be financially justified when taking into account criteria such as the quality, quantity, price, or availability of these products in Puerto Rico, the Secretary of Economic Development may issue a certificate attesting to such fact.

(d) Transfer of Knowledge.–

The grantee acquires services from professionals or companies with a presence in Puerto Rico. However, if this is not possible due to criteria such as availability, experience, specificity, or skill or any other valid reason recognized by the Secretary of Economic Development, the grantee may acquire such services through an intermediary with a presence in Puerto Rico, which shall contract directly with the service provider chosen by the grantee, in order to receive the requested services.

The term ‘services’ includes, but such list shall not preclude the Secretary of Economic Development from including others by regulations, the contracting of jobs relating to:

- (1) surveying, the production of construction plans, as well as engineering and architectural designs, and related services;
- (2) construction and all that pertains to this sector;



- (3) financial, environmental, technological, scientific, management, marketing, human resources, and auditing consulting services;
  - (4) advertising, public relations, commercial art, and graphic design services; and
  - (5) security or facility maintenance.
- (e) Financial Commitment.—

The grantee shall submit proof that he uses the services of and that he deposits a significant amount of the income derived from his economic activity in banking and/or cooperative institutions with a presence in Puerto Rico. If the financial activity cannot be financially justified when taking into account criteria such as the availability or accessibility of these institutions in Puerto Rico, the Secretary of Economic Development may issue a certificate attesting to such fact.

The Secretary of Economic Development shall be the sole official responsible for verifying and ensuring that exempt businesses meet the eligibility requirements established in this Section and this Act.

If the grantee partially meets the requirements established in this Section, the Secretary of Economic Development shall be required to establish a formula that allows for the quantification of the aforementioned factors, and for the subtraction of the requirements that have not been met from the total percentage of the specific credit, in order to obtain the exact percentage of the benefit in question.

The Governing Principles established in this Section shall apply to every incentivized activity or new business that applies for any of the benefits awarded under this Act after January 1<sup>st</sup>, 2016. However, the provisions of this Section shall apply to any application for renegotiation and/or conversion of a decree submitted by any grantee that has not been signed and completed prior to such date.”

Section 28.— Subsection (a) is hereby numbered and a new subsection (b) is hereby added to Section 3.5 of Act No. 27-2011, as amended, to read as follows:

“Section 3.5.— General Responsibilities and Authority of the Secretary of Development, Certificate of Compliance.—

(a) The Secretary of Development may delegate to the Film Commissioner any of the powers granted to him/her under this Act, except for matters related to designation of the geographical areas as Film Development Zones, pursuant to the provisions of Sections 6.1 and 8.4.

(b) Responsibilities of the Secretary of Development, Certificate of Compliance.—

In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentive or benefit granted under this Act, the Secretary of Development shall be required to oversee and ensure compliance with the Governing Principles set forth in Section 3.2-A, as well as with all other provisions of this Act.

The Secretary of Development shall be responsible for verifying and ensuring that grantees meet the requirements established in this Act, particularly those set forth in Section 3.2-A. If a grantee fails to meet one or more of the requirements established in Section 3.2-A due to criteria such as quality, quantity, price, or availability in Puerto Rico, among other factors that, in the judgment of the Secretary of Development, hinder, impair, or prevent the successful operation of the incentivized activity within reasonable parameters, the Secretary of Development may issue a certificate attesting to such fact, exempting the grantee, in whole or in part, from meeting the requirement in question.

If the grantee fails to fully meet the requirements of Section 3.2-A, and fails to qualify for any of the exceptions to such provision, the Secretary of Development shall be responsible for establishing a formula that allows for the quantification of the factors set forth in said Section, and for the subtraction of the

requirement that has not been met from the total percentage of the specific benefit or incentive granted by this Act, in order to obtain the exact percentage of the benefit or incentive in question.

The Secretary of Development shall be required and responsible for preparing a Certificate of Compliance annually, once grantees validate, in the judgment of said official, that they have met the requirements set forth in Section 3.2-A and complied with all other provisions of this Act. Every two years, the Secretary of Development shall verify the information submitted by grantees so that the Certificate of Compliance is issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.

The Certificate of Compliance shall include, in turn, the following information regarding the grantee: the name of the business, the cadastre number of the property or properties connected to the business; the merchant registration number; the account connected to the business as required in the ‘Puerto Rico Internal Revenue Code’; the employer identification number; and the information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act.’

The Certificate of Compliance shall be issued by the Secretary of Development through the Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico, to the agencies, public corporations, and municipalities responsible for awarding benefits or incentives under this Act. However, during the period in which the Portal is still not operating, it shall be the duty of the Secretary of Development to issue a Certificate of Compliance to the agencies, public corporations, and municipalities responsible for granting the benefits or incentives under this Act following the ordinary procedure. The filing of the Certificate of Compliance by a grantee shall be an essential

requirement for the agency, public corporation, or municipality to grant the benefit or incentive provided for in this Act.

Actions taken by the Secretary of the Treasury, the Executive Director of the Municipal Revenues Collection Center (CRIM), or any other government official or body, or public corporation in connection with the qualification process for the award of the benefits or incentives under this Act shall be limited to the taxation aspects of the granting of the benefit or incentive in question, upon the issuance of a valid Certificate of Compliance, as provided in this Section. The Secretary of Development shall be responsible, first and foremost, for overseeing eligibility under any and all provisions of this Act. However, the Secretary of the Treasury, the Executive Director of the Municipal Revenues Collection Center (CRIM), or any other government official or body, or public corporation concerned with any of the benefits or incentives granted under this Act may contact the applicant and the Secretary of Development should further information be needed to validate the data on the Certificate of Compliance, and shall notify and request the applicant to supply such information in order to rectify the situation. The Secretary of the Department of the Treasury or the Executive Director of the Municipal Revenues Collection Center (CRIM) may deny any tax incentives or benefits requested if, in their judgment, the information requested has not been supplied. Moreover, the provisions of this Act shall not preclude in any manner the power conferred to the Secretary of the Treasury under Section 6051.02 of Act No. 1-2011, as amended, known as the ‘Puerto Rico Internal Revenue Code of 2011’; and, if necessary, the power to revoke any incentives previously granted by virtue of a Certificate of Compliance, in accordance with the corresponding Act; or the power to refer the case to the pertinent agency or public corporation for the corresponding action.”

Section 29.— Subsection (f) of Section 3 of Act No. 20-2012, as amended, is hereby amended to read as follows:

“Section 3.— Definitions.—

For purposes of this Act, the following terms, phrases, and words shall have the meaning and scope stated below, except when it is otherwise clearly indicated, and terms used in the singular form shall also include the plural form, and vice versa:

(a) ...

(f) Eligible Business.— Any entity with an office or *bona fide* establishment located in Puerto Rico which carries out or may carry out, eligible services that are, in turn, considered services for export or promoter services shall be considered an eligible business.

An eligible business that renders eligible services or promoter services may also engage in any other activity, trade, or business insofar as it keeps, at all times, a system of books, records, documentation, accounting, and billing that clearly shows, to the satisfaction of the Secretary of the Treasury, all income, costs, and expenses incurred while rendering eligible services or promoter services. An activity consisting of rendering services as an employee does not qualify as an eligible business.

An eligible business that has been operating in Puerto Rico before submitting its decree application shall be subject to the limitations regarding base period income established in subsection (c) of Section 4 of this Act.

The Secretary shall establish, through regulations, the circumstances and conditions under which any applicant who receives or has received tax benefits or incentives under Act No. 73-2008, Act No. 135-1997, as amended, Act No. 8 of January 24, 1987, as amended, any previous or subsequent tax incentives law, or any other special law of the Commonwealth of Puerto Rico that provides benefits or incentives similar to those provided herein, as determined by the Secretary in

consultation with the Secretary of the Treasury, may be considered as an eligible business under this Act. Under no circumstance may an applicant be considered an eligible business when claiming tax benefits or incentives in connection with the services covered under this Act.

Notwithstanding the provisions of any other Act, licensing requirements related to professional services shall not apply to Eligible Businesses, their partners, shareholders, employees, or officials, insofar as the services offered are not rendered to Puerto Rico residents. Eligible Businesses shall comply with the licensing laws and requirements applicable in the jurisdiction where their services are exported.

(g) New Business.— ...”

Section 30.— Subsections (a) and (b) of Section 10 of Act No. 20-2012, as amended, are hereby amended to read as follows:

“Section 10.— Duties of the Secretary; Certificate of Compliance; Procedures.—

(a) Duties of the Secretary; Certificate of Compliance.—

...

The Secretary shall be required and responsible for preparing a Certificate of Compliance every two years, once eligible businesses validate, in the judgment of said official, that they have met the requirements set forth in this Act. Every two years, the Secretary shall verify the information submitted by exempt businesses annually so that the Certificate of Compliance is issued not later than the last day of the third (3<sup>rd</sup>) month after the close of the taxable year of the applicant.

Upon the filing of an application for a Certificate of Compliance with the Industrial Tax Exemption Office, the Director shall collect the fees for the processing thereof, which shall be payable by certified check, money order, or cashier’s check to the Secretary of the Treasury. The Secretary of Economic

Development shall prescribe by regulations the application processing fees. Provided, that said regulations shall be revised every three (3) years after its approval.

The Certificate of Compliance shall include, in turn, the following information regarding the eligible business: the name of the business, the cadastre number of the property or properties connected to the business; the merchant registration number; the account connected to the business as required in the ‘Puerto Rico Internal Revenue Code’; the employer identification number; and the information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act.’

...

(b) Ordinary Process.–

(i) ...

(ii) ...

(iii) Additional Provisions.-

(A) The Secretary shall, through the Exemption Office, require applicants for decree to submit sworn statements attesting to the facts stated, required, or pertinent, in order to determine whether such applicant’s service operations, or proposed service operations, qualify under the provisions of this Act.

Beginning on December 1<sup>st</sup>, 2015 and every two years thereafter, applicants shall be required to furnish the following information regarding the exempt business: the name of the business, the cadastre number of the property or properties connected to the business; the merchant registration number; the account connected to the business as required in the ‘Puerto Rico Internal Revenue’; the employer identification number; and the information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act’.”

Section 31.— Subsection (f) of Section 12 of Act No. 20-2012, as amended, is hereby amended to read as follows:

“Section 12.— Periodic Reports to the Governor and the Legislative Assembly, Portal.—

(a) ...

(b) ...

(c) ...

(d) ...

(e) ...

(f) The Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico, attached to the Puerto Rico Institute of Statistics, shall be an electronic data repository that allows information relative to businesses holding a decree under this Act, and certificates of compliance to be stored, updated, and accessed by the agencies concerned, while safeguarding the confidentiality of such information. This information shall be used to oversee compliance with the conditions imposed on businesses holding a decree under this Act and to develop a marketing intelligence system that enables the Department of Economic Development to identify and help in a timely manner those eligible businesses or businesses holding a decree in a precarious situation, as well as to establish promotion strategies.”

Section 32.— Subsection (d) of Section 13 of Act No. 20-2012, as amended, is hereby amended to read as follows:

“Section 13.— Reports Required from Exempt Businesses and their Shareholders or Partners.—

(a) ...

(b) ...

(c) ...



(d) Every eligible businesses holding a decree granted under this Act shall file annually with the Exemption Office a report authenticated by the signature of the President, managing partner, or his authorized representative, along with a copy to the Secretary, the Secretary of the Treasury, and the Executive Director not later than thirty (30) days after filing the corresponding income tax return. Said report shall include an account of data ascertaining compliance with the conditions established in the decree for the taxable year immediately preceding the filing date thereof, including, but not limited to the following: average number of jobs, services covered under the decree, the name of the business, the cadaster number of the property or properties connected to the business; the merchant registration number, the account connected to the business as required by the ‘Puerto Rico Internal Revenue Code’; the employer identification number; the information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act,’ as well as any other information that may be required in the form to be adopted for such purposes or through regulations. The report shall enclose the payment of the fees provided for through regulations, by postal money order, cashiers or certified check payable to the order of the Secretary of the Treasury. The information provided in this annual report shall be used for statistical and economic research purposes, as provided in this Act. Likewise, the Secretary, through the Industrial Tax Exemption Office shall conduct an audit every two years to ascertain compliance with the terms and conditions of the decree granted under this Act. Thus, an audit process shall be adopted within a term of sixty (60) days after the effective date of this Act for such purposes. The Tax Exemptions Office shall be empowered to charge for said audits.”

Section 33.— Subsection (a) of Section 3 of Act No. 22-2012, as amended, is hereby amended to read as follows:

“Section 3.— Responsibilities of the Secretary, Certification of Compliance, Procedures.—

(a) Duties of the Secretary, Certificate of Compliance.—

The Secretary shall be required and responsible for preparing a Certificate of Compliance every two years, once Resident Individual Investors validate, in the judgment of said official, that they have met the requirements set forth in this Act. Every two years, the Secretary shall verify the information submitted by Resident Individual Investors annually so that the Certificate of Compliance may be issued not later than the last day of the third (3<sup>rd</sup>) month after the close of the taxable year of the applicant.

Upon the filing of an application for a Certificate of Compliance with the Industrial Tax Exemption Office, the Director shall collect the fees for the processing thereof, which shall be payable by certified check, money order, or cashier’s check to the Secretary of the Treasury. The Secretary of Economic Development shall prescribe by regulations the application processing fees. Provided, that said regulations shall be revised every three (3) years after its approval.

The Certificate of Compliance shall include, in turn, the following information regarding the Resident Individual Investor: his name and the name of related business, the cadaster number of the property or properties connected to the incentivized activity; the merchant registration number; the related account as required in the ‘Puerto Rico Internal Revenue Code’; the employer identification number; and the information required by Act No. 216-2014, better known as the ‘Fiscal Information and Permit Control Act,’ as applicable.”

Section 34.— Section 4.1 of Act No. 1-2013, as amended, is hereby amended to read as follows:

“Section 4.1.— Authorization to Enter into Special Job Creation Agreements.—

The Executive Director shall sign Special Job Creation Agreements, in representation of the Government, with Eligible Businesses that meet the criteria and comply with the procedures established in this Act. In the evaluation, analysis, consideration, award, renegotiation, and revision of any incentive or benefit granted under this Act, the Puerto Rico Trade and Export Company and the Executive Director thereof shall be required to oversee and ensure compliance with all the provisions of this Act. The Executive Director shall be the official responsible for verifying and ensuring that eligible business meet the requirements of this Chapter IV.

The Executive Director shall be required and responsible for preparing a Certificate of Compliance of Special Job Creation Agreements every two years once eligible businesses validate, in the judgment of said official, that they have met the requirements set forth in this Chapter IV and this Act. Every two years, the Executive Director shall verify the information submitted by eligible businesses so that the Certificate of Compliance may be issued not later than on the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the taxable year of the applicant.”

Section 35.— Subsection (y) of Section 4 of Act No. 187-2015, as amended, is hereby amended to read as follows:

“Section 4.— Scope of this Act.—

The regulations of the Portal and the Certificates of Compliance provided for in this Act shall apply to the awarding and issuance of any tax incentive or benefit established under the following laws:

(a) ...

...

(y) Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico” as well as any preceding laws such as Act No. 8 of January 24, 1987, known as the ‘Puerto Rico Tax Incentive Act’ and Act No. 135-1997, as amended, known as the ‘Puerto Rico Incentive Act of 1998’;

(z) ...”

Section 36.— Section 7 of Act No. 187-2015, as amended, is hereby amended to read as follows:

“Section 7.— Certificate of Compliance.—

The Certificate of Compliance shall validate for a Grantor-Recipient Agency that the natural or juridical person meets the specific requirements of the law by virtue of which a particular privilege is granted and, therefore, qualifies for the tax incentive or benefit in question.

The Certificate of Compliance shall be valid for two (2) years, and shall be in effect and available in the Portal for the granting of the tax incentive or benefit, amending and maintaining said incentive, and even to prevent the revocation of a tax credit, as the case may be. During the period in which the Portal is still not operating, it shall be the duty of the Certifying-Issuing Agency to issue a Certificate of Compliance to the Grantee-Recipient Agency following the regular procedure.

The Certificate of Compliance shall include the specific provision of the law that offers the incentive or benefit; the nature of the incentive or benefit; any variation with regard to the awarded amount of the benefit or incentive in question; any pertinent information, as provided in the corresponding laws, which shows the results of the impact of the incentivized activity on the economy of Puerto Rico (for example, tax-exempt revenues, if any, the investment, and the number of jobs created), in order to extract the information for analytical and statistical purposes; and the signature of the official certifying that all the information is correct and that the natural or juridical person meets all the requirements set forth by law.

In order to be valid, the Certificate of Compliance shall include, at least, the following information:

- (a) the name of the natural or juridical person, or of the exempt business in question;
- (b) a note stating whether the tax incentive or benefit is awarded for the first time, the tax incentive or benefit is amended to maintain the same, or whether the conditions that prevent the revocation of the tax credit are still met;
- (c) the cadastre number of the property or properties connected to the business;
- (d) the merchant registration number;
- (e) the account connected to the business as required by the Puerto Rico Internal Revenue Code;
- (f) the employer identification number;
- (g) the information required by Act No. 216-2014, better known as the 'Fiscal Information and Permit Control Act.'
- (h) that Act that grants the incentive or benefit; and
- (i) the nature of the incentive or benefit.

The information contained in the Certificate of Compliance must be entered digitally, by fields, to allow access thereto by the Puerto Rico Institute of Statistics for analytical and statistical purposes. For such reason, digital photos (JPGs) and any other similar formats that prevent or impair data extraction shall not be accepted.

The Director of the Puerto Rico Institute of Statistics may refuse to publish in the Portal any Certificate of Compliance that fails to comply with the provisions herein and any interested natural or juridical person and the Certifying-Issuing Agency shall be responsible for correcting the same. The Certificate of Compliance shall not contain specific information, other than what is established herein, that may violate the confidentiality provisions of any laws governing tax decrees.

Notwithstanding any other provision of law which requires the deposit of a significant amount of funds in a banking and/or corporate institution with a presence in Puerto Rico as a condition to receive an incentive, if the Law that establishes the incentives or the Certifying-Issuing Agency fails to state the amount of income that would be sufficient to comply with the Act, any natural or juridical person shall be deemed to be compliant if such person deposits ten percent (10%) of the funds generated from the incentivized economic activity.”

Section 37.— Section 8 of Act No. 187-2015, as amended, is hereby amended to read as follows:

“Section 8.— Duties of Certifying-Issuing Agencies.—

It shall be the responsibility...

Once the Certifying-Issuing Agencies ascertain to their satisfaction that the natural or juridical persons meet the requirements of the aforementioned laws, at the request of the natural or juridical person interested in any tax incentive or benefit, said agencies shall issue a Certificate of Compliance and make it available to the appropriate Grantor-Recipient Agencies. The Certificate of Compliance shall endorse the tax incentive or benefit and it shall contain all the information required herein, as well as any other information required under the law that grants the tax incentive or benefit in question.

Certifying-Issuing Agencies shall be responsible for overseeing the eligibility of natural or juridical persons every two years in order to verify whether they are compliant with all the provisions of this Act and specific laws, as well as with the agreements entered into to obtain the tax incentive or benefit in question. This includes verifying whether they still meet the requirements to prevent the revocation of the tax credit awarded, as the case may be.”

Section 38.— Subsection (c) of Section 10 of Act No. 187-2015, as amended, is hereby amended to read as follows:

“Section 10.— Governing Principles.—

This Act, the Portal, and the regulations adopted thereunder shall be governed by and ensure compliance with the following Governing Principles:

(a) ...

(b) ...

(c) Responsibility.— Natural or juridical persons interested in any tax incentive or benefit shall be responsible for filing with the Certifying-Issuing Agency the application, as well as for requesting that any amendment or update be made to the Certificate of Compliance in effect.

(d) ...”

Section 39.— Severability.—

If any section, subsection, paragraph, subparagraph, clause and item or part, were held to be null or unconstitutional by a Court with jurisdiction, the holding to such effect shall not affect, impair or invalidate the remaining provisions and parts of this Act.

Section 40.— Effectiveness.—

This Act shall take effect immediately after its approval; however, its effectiveness shall be retroactive to November 17, 2015.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 208-2016 (H. B. 2981)** of the **4<sup>th</sup> Special Session** of the **17<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend Act No. 135 of May 9, 1945; Act No. 148 of May 10, 1948; Act No. 7 of March 4, 1955; Act No. 72 of June 21, 1962; Act No. 168 of June 30, 1968; Act No. 54 of June 21, 1971; Act No. 47 of June 26, 1987; Act No. 52 of August 11, 1989; Act No. 83-1991; Act No. 225-1995; Act No. 165-1996; Act No. 46-2000; Act No. 213-2000; Act No. 140-2001; Act No. 183-2001; Act No. 244-2003; Act No. 73-2008; Act No. 74-2010; Act No. 83-2010; Act No. 27-2011; Act No. 20-2012; Act No. 22-2012; Act No. 1-2013; and Act No. 187-2015, known as the “Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico Act,” in order to make technical amendments that allow for the orderly and effective implementation of Act No. 187-2015; extend the effective term of the Certificates of Compliance to two (2) years; 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 28<sup>th</sup> day of March, 2017.

Roger J. Iglesias-Sepúlveda, Esq.  
Director