

(H. B. 3024)

**(No. 213-2016)**

(Approved December 30, 2016)

**AN ACT**

To add a subparagraph (E) to Section 1101.01(a)(3) of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to exempt organizations engaged in promoting the general welfare of the municipalities from taxation; and for other related purposes.

**STATEMENT OF MOTIVES**

The Municipalities of Puerto Rico, as the government entities closest to citizens, have been entrusted with great responsibilities that affect the lives of the citizens they are called to serve. As provided in Act No. 81-1991, as amended, known as the “Autonomous Municipalities Act of the Commonwealth of Puerto Rico of 1991,” municipal administrations are charged with providing their residents with essential services. However, over the years, municipalities have acquired more responsibilities as a result of decentralization processes and delegation of powers provided by law. Municipalities have relied on the assistance of nongovernmental entities such as the Mayors’ Association and the Mayors’ Federation, which have provided municipal governments with advice and valuable technical assistance. Likewise, said entities have contributed to the development of valuable administrative policies for municipal governance and have supported this Legislative Assembly in the drafting of legislation that has served well both the Municipalities and the Island.

Both entities are registered in the Department of State as nonprofit entities and, as such, have no interest in the activities they carry out nor operate for profit. For such reason, it is unfair to impose tax obligations on them when their functions are in the public interest and they have no partisan political interests. Both the Mayors' Association and the Mayors' Federation are entities created by and for mayors.

We are convinced that the main function of these organizations is to provide their members, mostly mayors and incumbent mayors, with advice on public policy and on administrative and governmental matters. This is so because these organizations fund their operations from legislative allocations and membership fees. In other words, their income comes from public sources because, as it has been recognized, their functions promote the general welfare rather than individual benefits.

Throughout history, these entities have forged alliances to further public matters of great interest to all municipalities that go beyond partisan politics. Therefore, and in recognition of the great public service performed by entities composed of mayors, as well as those composed of municipal legislators, this Legislative Assembly deems it necessary to clarify that they are exempt from taxation as all other nonprofit organizations. In view of the foregoing, subparagraph (E) is hereby added to subsection (a)(3) of Section 1101.01 of Act No. 1-2011, as amended, known as the "Puerto Rico Internal Revenue Code of 2011," in order to exempt organizations engaged in promoting the general welfare of the Municipalities from taxation, and include them among the organizations for the exclusive benefit of members, which are already exempt from taxation.

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

Section 1.- Subparagraph (E) is hereby added to subsection (a)(3) of Section 1101.01 of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” to read as follows:

“Section 1101.01.- Tax Exemption on Corporations and Nonprofit Organizations.

(a) Except as provided in Subchapter B of Chapter 10 of this Subtitle, the following organizations shall be exempt from taxation under this Subtitle:

(1) ...

(2) ...

(3) Organizations for the exclusive benefit of members:

(A) ...

...

(E) Organizations engaged in promoting the general welfare of Municipalities, provided, that:

(i) their membership is solely and exclusively limited to duly elected mayors of the municipalities of the Commonwealth of Puerto Rico;

(ii) they are not organized for profit;

(iii) no part of the net earnings of which inures to the benefit of any private individual;

(iv) they are aimed at: adopting public administration procedures; studying and adopting municipal legislation to address issues common to the Municipalities of the Commonwealth of Puerto Rico; collaborating and establishing liaisons with the Commonwealth of Puerto Rico and the Federal Government; promoting a spirit of public service, integrity, and efficiency among municipality personnel; establishing uniform rules of procedure for the transaction of municipal affairs; establishing measures for the improvement of political, civic,

and economic conditions of the municipalities of the Commonwealth of Puerto Rico; advising municipalities, mayors, and municipal legislatures; among other similar matters.”

Section 2.- Effectiveness.

This Act shall take effect upon its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 213-2016 (H. B. 3024)** of the **5<sup>th</sup> Special Session** of the **17<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** add a subparagraph (E) to Section 1101.01(a)(3) of Act No. 1-2011, as amended, known as the “Puerto Rico Internal Revenue Code of 2011,” in order to exempt organizations engaged in promoting the general welfare of the municipalities from taxation; 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 22<sup>nd</sup> day of October, 2021.

Mónica Freire-Florit, Esq.  
Director