

(H. B. 3760)

**(No. 248-2011)**

(Approved December 16, 2011)

## **AN ACT**

To amend subsections (d) and (e) of Section 5031.13 and paragraphs (1) and (4) of subsection (l) of Section 6053.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to authorize the Secretary of the Treasury to require the use of a seal or designation of origin indicating that such product was made in Puerto Rico, provided that it is in the best social and financial interest of Puerto Rico; and for other related purposes.

### **STATEMENT OF MOTIVES**

The Government of Puerto Rico has shown its commitment to take the necessary steps to preserve the rum industry of the Island and, most importantly, defend the thousands of direct and indirect jobs generated by such industry.

For such reason, on December 1<sup>st</sup>, 2010, Act No. 178-2010 was approved to increase from ten (10%) to twenty-five percent (25%) the portion of the rum cover-over that Puerto Rico shall use to foster, stimulate, and promote our rum industry. Likewise, after December 31<sup>st</sup>, 2011, said Act empowers the Governor of Puerto Rico to increase said percentage up to a maximum of forty-six percent (46%) through an Executive Order to such effect. Said cover-over portion shall be available to the State Treasury to stimulate the production and promotion of Puerto Rican rum, including but not limited to, the promotion and marketing of Puerto Rican rum in foreign markets, to invest in agricultural, industrial, and commercial projects, and to support the local rum industry stakeholders through the granting of incentives for marketing and promotion, as well as for the construction and improvement of infrastructure. The terms of Act No. 178-2010 were incorporated

in Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico” (CRIPNP, Spanish acronym). These strategies are part of the economic development plan that has been implemented by this administration to increase the export of goods within U.S. jurisdictions and abroad, thus fostering job creation.

Recently, the CRIPNP was amended to provide that, for fiscal years 2010-2011 and 2011-2012, rum producers whose operations in Puerto Rico include molasses fermentation, rum distillation, and treatment of effluent, shall be granted an incentive of not less than ten percent (10%) of the federal rum cover-over in each of said fiscal years. It also provided that, after July 1<sup>st</sup>, 2012, rum producers whose operations in Puerto Rico inclusively include molasses fermentation, rum distillation, and treatment of effluents, would be granted not less than forty-six percent (46%) of the federal rum cover-over.

This Legislative Assembly deems it necessary to empower the Government Development Bank for Puerto Rico and the Executive Branch to exercise their discretion to grant federal rum cover-over incentives as appropriate and necessary and to impose any requirements that are in the best social and financial interests of Puerto Rico.

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

Section 1.- Subsections (d) and (e) of Section 5031.13 of Act No. 1-2011, as amended, also known as the “Internal Revenue Code for a New Puerto Rico,” are hereby amended to read as follows:

“Section 5031.13.- Puerto Rican Rum.

(a) ...

(b) ...

(c) ...

(d) The Secretary is empowered to eliminate the twelve (12)-month aging requirement established above, when he/she is furnished, to his/her satisfaction, with a legally enforceable commitment by the rum buyer to the effect that he/she shall not identify said rum or allow said rum to be identified in any way as ‘*Ron de Puerto Rico*’ or ‘Puerto Rican Rum.’ However, in those cases when the Secretary authorizes the elimination of the twelve (12)-month aging requirement, the Secretary is hereby empowered to require, at his/her discretion, the use of a seal or other designation of origin indicating that such product was made in Puerto Rico when, in the judgment of the Secretary, and upon the recommendation of the Secretary of Economic Development and Commerce, the use of said seal or designation of origin is in the best social and financial interests of Puerto Rico.

(e) In the event that the legal commitment stated above is violated in any way, the producing entity shall file an injunction with the proper forum to stop said violation immediately; the producing entity shall be subject to the penalties provided in Subtitle F; and the producing entity shall reserve its obligation in the buyer’s contract to collect all the remaining inventory of the rum that is unduly identified as ‘Puerto Rican Rum’ for its immediate destruction.”

Section 2.- Paragraphs (1) and (4) of subsection (1) of Section 6053.01 of Act No. 1-2011, as amended, also known as the “Internal Revenue Code for a New Puerto Rico,” are hereby amended to read as follows:

“Section 6053.01.- Powers of the Secretary.

(a) ...

(b) ...

(l) Provision on Federal Taxes collected on Puerto Rican rum shipped to the United States.

(1) The Secretary is hereby directed to set aside, in a Special Account, up to twenty-five percent (25%) of the amounts that the Government of the United States covers over to the Treasury of the Government of Puerto Rico on account of the tax on rum bottled in Puerto Rico or transported in bulk from Puerto Rico to the United States and sold to consumers in the United States. The Governor of Puerto Rico, upon recommendation from the Secretary and the Government Development Bank for Puerto Rico, may increase such cap up to forty-six percent (46%) through an Executive Order to such effect, after December 31<sup>st</sup>, 2011, when such increase is necessary or convenient to enable rum producers in Puerto Rico to compete in the market abroad on equal terms with their competitors in other United States jurisdictions. Notwithstanding the foregoing, in no case the Treasury of the Commonwealth of Puerto Rico may withhold an amount that is less than fifty-four percent (54%) of the amounts covered over by the United States Government on account of the tax on rum bottled in Puerto Rico and sold in the United States or transported in bulk from Puerto Rico to the United States and sold to United States consumers.”

(2) ...

(3) ...

(4) The Government Development Bank for Puerto Rico, the Department of the Treasury of Puerto Rico, the Department of Economic Development and Commerce, the Puerto Rico Industrial Development Company, and the Department of Agriculture are hereby empowered to conduct any such actions, appearances, transactions, and/or to execute any such instruments and documents, whether public or private, as convenient and necessary to implement the purposes described in subsection (1) of this Section.

(5) ...

(6) ...”

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. 248-2011 (H. B. 3760)** of the **2<sup>nd</sup> Special Session** of the **16<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend subsections (d) and (e) of Section 5031.13 and paragraphs (1) and (4) of subsection (l) of Section 6053.01 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to authorize the Secretary of the Treasury to require the use of a seal or designation of origin indicating that such product was made in Puerto Rico, provided that it is in the best social and financial interest of Puerto Rico; 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 12<sup>th</sup> day of March, 2015.

Juan Luis Martínez Martínez  
Acting Director