

(S. B. 2399)

(No. 258-2011)

(Approved December 16, 2011)

AN ACT

To amend subsection (d) of Section 4050.08 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to eliminate the limitation so that the use of moneys from awarded loans chargeable to the Municipal Redemption Fund for payment of debts and amortization of operational deficits may only apply until June 30, 2012.

STATEMENT OF MOTIVES

Act No. 7-2009, as amended, known as the “Special Act to Declare a State of Fiscal Emergency and to Establish a Comprehensive Fiscal Stabilization Plan to Salvage the Credit of Puerto Rico,” was enacted to provide an economic stabilization plan to responsibly address the fiscal crisis currently experienced by the Government of Puerto Rico with an integrative approach, restore the fiscal health of the Government, and lay the groundwork for the Government to be able to boost the economic development of Puerto Rico. As part of the fiscal stabilization plan, Act No. 7, *supra*, amended subsection (g) of Section 4050.07, subsections (b) and (d) of Section 4050.08, and subsection (b) of Section 6080.14 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico.” According to Act No. 7, *supra*, there are approximately 40 municipalities whose fiscal situation is precarious. If these municipalities are not provided with emergency mechanisms to manage their situation, the General Fund could be affected, which, in turn, would have an impact on the Central Government’s stabilization plan instituted by said Act No. 7. Therefore, Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,”

was amended to eliminate some of the existing limitations imposed on the Municipal Redemption Fund, the Municipal Development Fund, and the imposition of the municipal sales and use tax. Amending subsection (d) of Section 4050.08 of Act No. 1-2011 shall enable municipalities to use the moneys from awarded loans chargeable to the Municipal Redemption Fund for the payment of statutory debts and the amortization of operational deficits until June 30, 2012. Municipalities with repayment capacity may thus borrow money from the Bank and prevent the fiscal condition of the Central Government from being affected.

It must be mentioned that, as a result of the implementation of various measures, the Government of Puerto Rico has significantly improved its fiscal situation. The estimated deficit for Fiscal Year 2009-2010 was \$2.2 billion, whereas the projected deficit for Fiscal Year 2010-2011 was \$1 billion. In the last two years, the projected revenue deficit of the Government of Puerto Rico has been reduced to 10.9%, in comparison to the 43.6% revenue deficit of the Government of Puerto Rico in Fiscal Year 2008-2009.

However, even though the Government has been able to implement measures to address such deficit, the extent of the fiscal crisis of many municipalities is such that this Legislative Assembly deems it necessary to eliminate the limitation that restricts municipalities to use the moneys from awarded loans chargeable to the Municipal Redemption Fund for the payment of statutory debts and the amortization of operational deficits only until June 31[sic], 2012, thus allowing them to continue using such funds for the amortization of operational deficits and the payment of debts and judgments of any fiscal year after such date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Subsection (d) of Section 4050.08 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 4050.08.— Municipal Redemption Fund – Creation.—

(a) ...

(b) ...

(c) ...

(d) Use of the Moneys from awarded loans chargeable to the Municipal Redemption Fund.— The moneys proceeding from the Municipal Redemption Fund made available to the municipalities through loans shall be used for solid waste collection and recycling programs; the construction of capital works and improvements; health and safety, including payroll and related expenses, such as employer contribution or payroll taxes; and in any activity or project within the sound public administration of the municipality, including the amortization of operational deficits and the payment of debts, except for payroll and related expenses in such programs or projects.”

Section 2.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 258-2011 (S. B. 2399)** of the **6th Session of the 16th Legislature** of Puerto Rico:

AN ACT to amend subsection (d) of Section 4050.08 of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to eliminate the limitation so that the use of moneys from awarded loans chargeable to the Municipal Redemption Fund for payment of debts and amortization of operational deficits may only apply until June 30, 2012.

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

In San Juan, Puerto Rico, on this 15th day of November, 2013.

Juan Luis Martínez Martínez
Acting Director