

(H. B. 4061)

**(No. 302-2012)**

(Approved December 20, 2012)

## **AN ACT**

To amend Section 1051.06 and add Section 1051.10 to Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to increase the amount of credit for donations to the Santa Catalina Palace Endowment (*Patronato del Palacio de Santa Catalina*); issue a tax credit for donations to foundations of former governors under certain circumstances; and for other related purposes.

### **STATEMENT OF MOTIVES**

One of the most important legacies of this administration is the “Internal Revenue Code for a New Puerto Rico,” Act No. 1-2011, as amended (hereinafter, IRCNPR). This measure of social justice leaves an average of one million, two hundred thousand dollars (\$1,200,000) annually in the taxpayer’s pockets.

With the IRCNPR, 497,574 taxpayers paid zero taxes during the 2011 taxable year. Likewise, 279,536 individuals 65 years or older with moderate income benefitted from the “Seniors Bonus” that represented more than one hundred eleven million dollars (\$111,000,000) in their pockets. Furthermore, this taxable year showed a forty-four percent (44%) increase in tax credits from donations to nonprofit entities which represented nearly twenty-nine million dollars (\$29,000,000) that such entities received from taxpayers.

The increase in taxpayer's donations to nonprofit entities was mainly due to the change in philosophy promoted by the present administration regarding the contributions these entities make to society. In general, a dollar invested by these entities in social labor yields much more than a dollar invested by the government for said purposes.

There are donations to entities that, due to their relevance, receive other tax treatments. Such is the case of donations made to the Santa Catalina Palace Endowment, an entity of great importance to the People of Puerto Rico. The same may be claimed as tax credits, which has a more favorable effect for taxpayers. Taxpayers may claim a 50% credit from the total donation up to a two million five hundred thousand dollars (\$2,500,000) limit annually.

The purpose of the Santa Catalina Palace Endowment is to coordinate public and private efforts to defray the maintenance, restoration, and conservation costs of the Santa Catalina Palace, as well as other dependencies of the Governor's Office, which supports the Palace in its function as executive mansion and patrimony of the people of Puerto Rico. Since these are historic buildings, some of them centuries old, they have an inestimable value. Likewise, the restoration or maintenance costs of these buildings are very high. By promoting that taxpayers make greater donations to such entities, we shall assure the maintenance of said structures without the need to allocate funds from the public treasury for such purposes.

On the other hand, various nonprofit entities promoted by former governors have been established for different purposes. These entities make invaluable social contribution to issues of great importance for the development of Puerto Rico. Hence, we believe that donations made to these entities should have the same tax treatment as donations made to the Santa Catalina Palace Endowment. In other

words, donations made to these entities shall be computed as a credit against the tax determined in lieu of an income tax deduction.

For all of the foregoing, this Legislative Assembly deems it pertinent to increase the amount of the contribution that may be claimed as tax credit for the donations to such entity from 50% to 100% of said donation. Likewise, the granting of a tax credit for donations made to nonprofit entities created by former governors is hereby authorized, as well as donations made for the purposes established in Act No. 290-2000, subject to the conditions established in the IRCNPR.

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

Section 1.- Subsection (a) of Section 1051.06 of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 1051.06.- Credit for Donations to the Santa Catalina Palace Endowment (*Patronato del Palacio de Santa Catalina*)

(a) Amount of the Credit. - A tax credit shall be granted against the tax imposed by this Subtitle for donations made or generated as a result of the efforts of the Santa Catalina Palace Endowment. The amount of said credit shall be one hundred percent (100%) of the amount donated during the taxable year.

...

(c) The tax credits to be granted shall not exceed two million five hundred thousand dollars (\$2,500,000) in the aggregate for any taxable year.”

Section 2.- Section 1051.10 is hereby added to Act No. 1-2011, as amended, to read as follows:

“Section 1051.10.- Credit for Donations to Foundations of Former Governors

(a) Amount of the Credit.- A tax credit shall be granted against the tax imposed by this Subtitle for donations made to foundations of former governors for

operating expenses and such expenses relating to the purposes for which they were created and/or those donations made to the Depository for Archives and Memorabilia of Former Governors and Former First Ladies of Puerto Rico established in accordance with the provisions of Act No. 290-2000 alone or in conjunction with public or private higher education institutions in order to defray construction costs or operating expenses and any other action needed to faithfully comply with the purposes of Act No. 290-2000. The amount of said credit shall be one hundred percent (100%) of the amount donated during the taxable year.

(b) This credit shall be in lieu of the deduction for donations granted under Section 1033.15(a)(3). The amount of the credit that cannot be claimed in the taxable year in which the donation is made may be carried over to subsequent taxable years until used in its entirety.

(c) The tax credits to be granted shall not exceed one million dollars (\$1,000,000) in the aggregate for any taxable year.

(d) Verification.- All individuals, corporations, or partnerships that claim the tax credit set forth herein must attach a certification issued by the receiving entity to their income tax return as evidence that the donation was made and accepted.”

Section 3.- If any provision of this Act or the application thereof were held to be void, said holding shall not affect the remaining provisions thereof nor the application of this Act which may remain in effect without the provisions thus held to be void, and for this purpose the provisions of this Act are severable.

Section 4.- This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 302-2012 (H. B. 4061)** of the **5<sup>th</sup> Special Session** of the **16<sup>th</sup> Legislative Assembly of Puerto Rico**:

**AN ACT** to amend Section 1051.06 and add Section 1051.10 to Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico,” in order to increase the amount of credit for donations to the Santa Catalina Palace Endowment (*Patronato del Palacio de Santa Catalina*); issue a tax credit for donations to foundations of former governors under certain circumstances; 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 25<sup>th</sup> day of May, 2016.

Juan Luis Martínez Martínez  
Director