

(H. B. 3278)

(No. 168)

(Approved November 9, 2007)

AN ACT

To amend Section 21 of Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” in order to extend the term to receive applications for tax exemption, and to establish the purposes and terms to be followed by the Legislature for furthering this Act.

STATEMENT OF MOTIVES

Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” was created for the purposes of strengthening the development of the entrepreneurial sector on the Island, “mainly focused on the actual creation of jobs and on direct investment in training programs, physical facilities, and research and development within Puerto Rico *in agreement with* the multi-sector diversification of the economic development promulgated by the New Economic Model for Puerto Rico.” Said Act took effect on January 1, 1998.

However, the world-wide changes in the economic models, the aggressiveness of the strategies adopted by other jurisdictions against which we compete to draw businesses to Puerto Rico, the flight of talent, and the economic situation that the Island is facing at this time, call for an analysis to be conducted on all feasible alternatives to improve tax incentives and non-tax incentives available in Puerto Rico, in harmony with the ever-changing needs of the industry and the economy to ensure that the Island continues to be a competitive world-class business hub.

Act No. 135 has been a useful instrument in the economic development promotion efforts in Puerto Rico. According to its terms, said Act does not apply to decrees applied for after December 31, 2007. In view thereof, it is prudent and necessary to extend the applicability of said Act until June 30, 2008, in order to have sufficient time to keep analyzing and studying the economic models at world level and to determine the changes needed in the industrial tax exemption programs that address the present economic reality of Puerto Rico. The extension of the effectiveness of the Act shall allow Puerto Rico's economy to maintain a legal instrument of an economic nature which has served to the Island well, while making a thorough evaluation of the present Act, as well as to world-wide economic patterns and analogous laws of other jurisdictions for the purpose of obtaining a new Law that replaces the present Tax Incentives Act.

Through this Act, the term to receive applications for exemption under Act No. 135 of December 2, 1997, as amended, is extended until June 30, 2008. This shall allow a multi-sector committee with representation of the Executive Branch to work in coordination with the Legislature in the drafting of new legislation for the socioeconomic development of Puerto Rico. The new legislation shall be approved by the House of Representatives on or before May 15, 2008, by the Senate on or before May 25, 2008, and by the Legislature on or before May 31, 2008, so that the Governor of Puerto Rico may be able to consider the same before June 30, 2008.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Statement of Purpose.

Upon the approval of this Act, the term to file applications for exemption under Act No. 135 of December 2, 1997, as amended, denominated "Tax Incentives Act of 1998," is extended. Said extension

provides sufficient time for drafting new legislation that shall place Puerto Rico on the leading edge to compete with other geographical jurisdictions in seeking a broad and modern economic development. For such purposes, representatives of different sectors of our economy and of the Executive Branch shall collaborate with the Legislative Branch to keep analyzing studying and preparing proposals for legislation of the socioeconomic development of Puerto Rico, which measures shall be approved by the House of Representatives on or before May 15, 2008, by the Senate on or before May 25, 2008, and by the Legislature on or before May 31, 2008. This firm work commitment between the public and the private sectors shall for allow the legislation so approved to be remitted to the consideration of the Governor of Puerto Rico before June 30, 2008, which is the expiration date of the term to receive applications for exemption under Act No. 135 of December 2, 1997, as amended.

Section 2.- Section 21 of Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” is hereby amended to read as follows:

“Section 21.- Enacting Clause.

This Act shall take effect January 1, 1998. Applications for exemption under this Act shall be received by the Tax Exemption Office until June 30, 2008. The levy of taxes provided by this Act shall remain in effect during the term that the tax exemption granted hereunder remains in effect.”

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. 168 (H.B. 3278) of the 6th Session of the 15th Legislature of Puerto Rico:

AN ACT to amend Section 21 of Act No. 135 of December 2, 1997, as amended, known as the “Tax Incentives Act of 1998,” in order to extend the term to receive applications for tax exemption, and to establish the purposes and terms to be followed by the Legislature for furthering this Act,

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

In San Juan, Puerto Rico, today 13th of June of 2008.

Francisco J. Domenech
Director