

(H. B. 1687)

(No. 32-2014)

(Approved February 27, 2014)

AN ACT

To create the “Puerto Rico Aircraft Maintenance, Repair, and Overhaul Industry Promotion Act”; add a new paragraph (S) to Section 2(d)(1) and amend Section 10(a) of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico,” in order to establish the legal framework needed to promote the establishment of an Aircraft Maintenance, Repair, and Overhaul Industry (MRO) in Puerto Rico; and for other related purposes.

STATEMENT OF MOTIVES

Due to the pressing need to recover the tens of thousands of jobs lost in recent decades, Puerto Rico seeks to consolidate, expand, and diversify its industrial sector.

As part of its economic diversification strategy, the aircraft maintenance, repair, and overhaul industry, generally referred to as the “MRO market,” is one of the industries Puerto Rico may be able to attract.

According to changes in the market, commercial aircraft MROs with worldwide clientele have been strategically relocated. Puerto Rico offers the favorable conditions to attract such types of operations: attractive incentives, competent and productive workforce, and proximity to main suppliers and clients.

The “Puerto Rico Aircraft Maintenance, Repair, and Overhaul Industry Promotion Act” shall spearhead the establishment of an MRO industry in the Island. Recognizing this industry as a strategic project for the economic development of Puerto Rico, the creation and expansion of the aircraft

maintenance, repair, and overhaul industry in Puerto Rico is hereby established as public policy of the Commonwealth of Puerto Rico. This shall allow for the creation of jobs that our people greatly need.

The Puerto Rico Industrial Development Company, as the main promoter of Puerto Rico's industrial development, is hereby entrusted with the coordination of the government efforts needed to achieve the goal of attracting and developing this industry. Furthermore, the government apparatus is hereby directed to collaborate with the Puerto Rico Industrial Development Company in achieving said goal. The joint support for the establishment of this industry of great importance for Puerto Rico shall include access to financing, physical facilities, economic support programs for investing in construction, infrastructure, employment, and tax incentives under existing programs or others to be established in the future.

The establishment of world class MROs in Puerto Rico shall significantly generate both direct and indirect economic activity and therefore, create more and better jobs for Puerto Ricans. The necessary professional and technical training required to perform operations of such a nature shall have a positive impact on direct and indirect employees. The generation of satellite activities has the potential of incentivizing and attracting other similar industries and the economic development with partners in new jurisdictions.

In this sense, without affecting the vested rights of our workers and in a prospective manner, it is necessary to provide for the particular needs of this industry, recognizing that it shall be governed by the Railway Labor Act, which is the federal law applicable thereto. Said federal legislation is currently in effect in the Island, but its application to the MRO industry has not been necessary due to the absence of said industry in Puerto Rico. One of the purposes of this legislation is to clarify this subject.

Furthermore, upon evaluating the applicable legal framework, we have noticed certain changes in the laws that are the basis for industrial incentive programs that have had the effect of eliminating opportunities to promote the aircraft repair industry. The provisions of this Act clearly establish that aircraft maintenance, repair, and overhaul operations are businesses eligible to receive benefits under Act No. 73-2008. The benefits, exemptions, and incentives granted under this legislation shall be strictly conditioned to the MROs compliance with the requirements of this Act, which include that every MRO shall establish its operations in Puerto Rico after the date of approval of this Act and shall execute and maintain a decree in effect under Act No. 73-2008 or any other law that substitutes it.

The creation of the “Puerto Rico Aircraft Maintenance, Repair, and Overhaul Industry Promotion Act” promotes the best interests of Puerto Rico. In this manner, the aircraft industry, the creation of new jobs, the transfer of knowledge, and the offering of new opportunities to young engineers and workers with expertise in other areas are promoted.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- This Act shall be known and may be cited as the “Puerto Rico Aircraft Maintenance, Repair, and Overhaul Industry Promotion Act.”

Section 2.- The Legislative Assembly of the Commonwealth of Puerto Rico hereby declares as public policy to promote and incentivize the creation and expansion of the aircraft maintenance, repair, and overhaul industry in order to generate short-, medium-, and long-term jobs and further the development of the aviation industry in Puerto Rico. For such purpose, it is hereby declared that the establishment of an aircraft maintenance, repair, and overhaul industry in Puerto Rico is a strategic project of great importance for Puerto Rico’s economy and should be considered as a project of strategic importance for legal purposes in the

mission of the Commonwealth of Puerto Rico to ensure a brighter future for our Island.

Section 3.- The Puerto Rico Industrial Development Company is hereby designated as the government entity in charge of the administration and implementation of the provisions of this Act; and all other agencies, public corporations, or instrumentalities, municipalities, and political subdivisions of the Commonwealth of Puerto Rico are hereby directed to provide all the necessary support, cooperation, assistance, and collaboration in order to carry out projects that this Act seeks to incentivize in accordance with Section 2 of this Act. Likewise, the Puerto Rico Industrial Development Company is hereby empowered to use and make available its funds or other properties as well as any other funds or properties that it may receive from time to time, in accordance with the transactions and transfers contemplated and authorized in Section 7 of this Act for projects that this Act seeks to incentivize. Similarly, the Puerto Rico Industrial Development Company is also authorized to use any of its present or future incentive programs or mechanisms using its own funds or funds it may receive pursuant to the transactions and transfers contemplated and authorized in Section 7 of this Act to finance, make feasible, or facilitate the construction of facilities and infrastructure to be used for companies engaged in the aircraft maintenance, repair, and overhaul industry in Puerto Rico, insofar as such facilities are located in a property owned by any agency, public corporation, municipality, or political subdivision of the Commonwealth of Puerto Rico. Said incentive programs or mechanisms may include those programs or mechanisms under which the investment of said businesses is refunded or paid directly to contractors, suppliers, or other entities. Government-owned facilities may be leased to such businesses or the use and enjoyment thereof may be authorized to these businesses by means of usufruct, leasehold, easement, or any other manner. All other agencies, public

corporations, or instrumentalities, municipalities, and political subdivisions of the Commonwealth of Puerto Rico are also hereby authorized to use and make available to the Puerto Rico Industrial Development Company any of its incentive programs or mechanisms to support the investment and establishment of this industry.

Section 4.- A new paragraph (S) is hereby added to Section 2(d)(1) of Act No. 73-2008, as amended, to read as follows:

“Section 2.- Definitions.-

For purposes of this Act, the following terms, phrases, and words shall have the meaning and scope stated hereinbelow:

(a) ...

...

(d) Eligible Business.

(1) For purposes of this Act, the following shall be tax-exempt businesses:

(A) ...

...

(S) General aircraft maintenance, repair, and overhaul, as well as the parts and components thereof.

...”

Section 5.- Section 10(a) of Act No. 73-2008, as amended, is hereby amended to read as follows:

“Section 10.- Tax Exemption Period

(a) Exemption.

A tax-exempt business that holds a decree issued under this Act shall enjoy exemption from taxes for a period of fifteen (15) years. In the case of an exempt business described in Section 2(d)(1)(S) of this Act, the exemption period

shall be twenty (20) years, which may be extended for an additional ten (10) years at the same income tax rate and the same exemption percentages and benefits, terms and conditions of the original decree.

...”

Section 6.- Taking the itinerant nature of commercial aircraft maintenance, repair, and overhaul industry operations into account, it is hereby declared that notwithstanding any provision of law to the contrary, any employer: (a) engaged in the assembly, repair, maintenance, restoration, and rehabilitation of vehicles or aircraft, (b) that establishes operations in Puerto Rico after the effective date of this Act, and (c) that executes and maintains a decree in effect under the provisions of Act No. 73-2008, as amended, or any other subsequent law that substitutes it, shall only be governed, for purposes of overtime in Puerto Rico, by Sections 201 through 217 of the Fair Labor Standards Act, as amended, or to be amended, that apply to aviation operations and related operations covered by the “Railway Labor Act”.

Section 7.- Notwithstanding any provisions of law to the contrary, and in order to facilitate the attainment projects that this Act seeks to incentivize, all agencies, public corporations, municipalities, and political subdivisions of the Commonwealth of Puerto Rico are hereby empowered, at the request of the Puerto Rico Industrial Development Company, to assign, transfer, lease, guarantee, pledge, mortgage, lend, donate, or otherwise transfer to the Puerto Rico Industrial Development Company, either for its direct or indirect benefit, any interest, right, or participation that it may hold over any personal or real property including public funds under their jurisdiction or funds that were or may be appropriated from time to time, under reasonable terms and conditions to be used by the Puerto Rico Industrial Development Company in order to achieve the objectives and purposes of this Act. For such purposes, all agencies, public corporations, municipalities,

and political subdivisions of the Commonwealth of Puerto Rico are hereby authorized to enter into any interagency agreement, contract, covenant, or any other type of agreement with the Puerto Rico Industrial Development Company and with any other government entity or private party in order to enforce the provisions of this Act.

Section 8.- The Executive Director of the Puerto Rico Industrial Development Company shall issue regulations, rules, administrative determinations, or circular letters as are necessary to achieve the purposes of this Act.

Section 9.- The provisions in this Act shall be construed freely for the purpose of promoting the development and implementation of the public policy set forth in the Statement of Motives and in Section 2 of this Act, as well as for obtaining the establishment of strategic projects it seeks to incentivize.

Section 10.- Severability Clause

If any article, section, part, paragraph, subparagraph, rule or provision of this Act were held to be null, invalid, or unconstitutional, the remaining provisions and parts thereof shall remain in effect and shall apply to the extent possible. If their application on any person or circumstance were held to be null, such holding shall not affect the remaining provisions and parts of the Act, which may remain in effect without resorting to the annulled provision.

Section 11.- Effectiveness

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 32-2014 (H. B. 1687)** of the **3rd Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to create the “Puerto Rico Aircraft Maintenance, Repair, and Overhaul Industry Promotion Act”; add a new paragraph (S) to Section 2(d)(1) and amend Section 10(a) of Act No. 73-2008, as amended, known as the “Economic Incentives Act for the Development of Puerto Rico,” in order to establish the legal framework needed to promote the establishment of an Aircraft Maintenance, Repair, and Overhaul Industry (MRO) in 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 5th day of February, 2016.

Juan Luis Martínez Martínez
Director