

O'NEILL & BORGES

ATTORNEYS AT LAW

American International Plaza
250 Muñoz Rivera Ave, Suite 800
San Juan, Puerto Rico 00918-1813

Tel (787) 764-8181
Fax (787) 753-8944

TAX NEWSLETTER

JULY 2010

TAX ALERT

PROPERTY TAX AMNESTY AND COMPULSORY REGISTRATION OF UN-APPRAISED PROPERTY

On July 2, 2010, the Governor of Puerto Rico, the Honorable Luis Fortuño, signed Bill H.B. 2752 into law as Act No. 71 of July 2, 2010. Act No. 71 provides for a 120 day grace period for the payment of real and personal property taxes. The act also provides for the creation of a compulsory registry of un-appraised real property and commercial/industrial real property improvements.

Pursuant to the provisions of Act No. 71, any taxpayer that pays the real and personal property taxes currently owed to the Municipal Revenue Collection Center ("CRIM"), during the special 120 day grace period shall enjoy a discount in the payment of their property tax debt. The 120 day grace period shall commence upon CRIM's issuance of an administrative order implementing the legislation. The law requires the issuance of the administrative order within 30 days of Act No. 71's approval. Personal property tax payments made during the grace period shall enjoy a discount equal to 100% of the amounts owed as interests, surcharges and penalties. Real property tax payments made during the grace period shall benefit from the same discount except the discount will not apply to fraud penalties and real property tax debts for fiscal year 2010-2011.

To be eligible for the discounts, taxpayers must be up to date with their personal and real property taxes corresponding to the 2009-2010 fiscal year and special real property tax payments due to Treasury on all of their properties. Additionally, the taxpayer must provide CRIM with a commitment to pay their personal and real property taxes for fiscal year 2010-2011. Taxpayers that have requested an administrative or judicial review of their assessed property taxes may be eligible for the discount, however the application of the discount will result in the final adjudication of the questioned tax assessments.

Act No. 71 also creates a compulsory registry, for real properties and improvements on commercial and industrial real properties which have not been appraised by CRIM. The new registry shall be under the authority of a special Interagency Committee created by Act No. 71.

The owner of an un-appraised real property or un-appraised improvements to commercial or industrial real property shall have 75 days to record said property in the new registry. The Interagency Committee must issue a public notice announcing the commencement of the registration period and is authorized to provide up to 30 additional days for registration. Taxpayers, who own industrial and commercial properties and register them accordingly, will only pay retroactive property taxes arising from a new appraisal for the previous fiscal year instead of the five years that could otherwise be assessed. Act

No. 71 exempts said taxpayers from any other retroactive property tax liability arising from a new appraisal. Noncompliance with this registration requirement may expose the property owner to a penalty of 10% of the appraised value of the property in the case of commercial or industrial property, as well as a \$5,000 fine for commercial properties or \$250,000 in the case of industrial real estate if the property is identified by CRIM and assessed between the date of the close of the compulsory registry and June 30, 2012. Special property tax rates would be applicable for fiscal years 2010-11 and 2011-2012.

Act No. 71 also imposes a new reporting requirement on financial institutions. Any financial institution, which maintains funds in escrow for the payment of property taxes on non-appraised real property, must forward a list with the names, identification, amounts maintained in escrow accounts for the payment of property taxes, description of the property, and its location to CRIM and the Treasury Department.

Additional regulation or guidance from CRIM or the special Interagency Committee implementing Act No. 71 should be issued in the near future.



Because of the general nature of this newsletter, nothing herein should be considered as legal advice or a legal opinion. For further information about the contents of this newsletter, or should you need further assistance in connection with these matters, please contact the firm's Corporate – Tax Department



CORPORATE - TAX DEPARTMENT			
Partners	Partners	Associates	Associates
Alfredo Alvarez-Ibañez	Cristina Morazzani	Walter F. Alomar	Juan C. Reyes
Juan A. Aquino	Edgardo Nieves-Quiles	Antonio L. Collazo	Patricia Salichs
José R. Cacho	Isis L. Pérez	Giselle Flaqué	Yasmin Umpierre-Chaar
Walter F. Chow	Julio Pietrantoni	Nydia Galarza	Travis D. Wheatley
Ivelisse Collazo	David Rivé-Power	Marie Guiven	
Aurelio Emanuelli	Juan A. Rivero	Rafael Hernández-Miranda	Of Counsel
Rosa M. González-Lugo	Víctor R. Rodríguez	Ana E. Lago	Raymond C. O'Neill
Amaya Iraolagoitia	Pablo Rodríguez-Solá	Néstor J. Lo Presti	Eduardo E. Franklin
Rosa M. Lázaro	Samuel Rosado-Domenech	Viviana Miranda Ortiz	
Michelle Marichal	Jorge San Miguel	José L. Notario	
Lillian Mateo-Santos	Ismael Vincenty	Marta Ramírez	

Copyright July 2010©