

(H. B. 1718)
(Conference)

(No. 38)

(Approved August 1, 2005)

AN ACT

To amend subsection 1 of Article 7.020 of Act No. 77 of June 19, 1957, as amended, known as the “Insurance Code of Puerto Rico,” in order to increase the tax on premiums imposed to insurers who do not have their main offices in Puerto Rico.

STATEMENT OF MOTIVES

This Legislature proposes to amend Article 7.020 of the Insurance Code of Puerto Rico in order to increase the tax on premiums imposed to insurers who do not have their main offices in Puerto Rico. The funds to be collected by virtue of the provisions of this Act may only be used to defray the expenses of the Department of Education as provided by the General Budget Joint Resolution to be approved for the operations of the Government in each fiscal year.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- This Act shall be known as the “Act to Guarantee a Better Education for Our Children.”

Section 2.- Subsection 1 of Article 7.020 of Act No. 77 of June 19, 1957, as amended, known as the “Insurance Code of Puerto Rico,” is hereby amended to read as follows:

“1) Except as otherwise provided in Article 7.020 of this Code, every insurer shall pay to the Secretary of the Treasury of the Commonwealth of

Puerto Rico, through the Office of the Commissioner, a six (6) percent tax on premiums and of three (3) percent on annuity remunerations, as provided in clause (b) of this subsection received by the insurer during each semester of the calendar year on insurance transacted in Puerto Rico or covering risks resident, located or to be executed in Puerto Rico, wherever transacted. Said tax shall be payable on or before March 31 of the following calendar year.

The insurer shall determine his/her tax on premiums as follows:

- (a) With respect to life and disability insurance, the tax shall be determined after deducting dividends, returned premiums, amount refunded, or the amount of reductions in premiums allowed to holders of industrial life policies for payment of premiums directly to an office of the insurer.
- (b) With respect to annuity contracts, such tax shall be in the amount of three (3) percent of such considerations received on direct business after deduction of dividends and returned annuity considerations.
- (c) With respect to any other kinds of insurance or contracts, the tax shall be determined after deducting the returned premiums, except as provided in clause (d) of this subsection.
- (d) As to insurers other than life insurers, who on issuing their policies require from their insured the payment of uniform premium deposits, based upon the class of risks, but independent of the term of such policies, such tax shall be determined taking into consideration the premium deposits appertaining to such policies as were in force after deducting from said deposits the unused or unabsorbed portion. Said unused or unabsorbed portion shall be computed on the basis of the average reimbursement actually paid

or credited to the insured or applied as partial payment to renewals of premium deposits on one year policies expiring during the semester ending immediately preceding the date the tax is payable.

2) ...

3) ...

4) ...

5) ...”

Section 3.- Effectiveness

This Act shall take effect immediately after its approval and its effectiveness shall be subject to the approval of the House Joint Resolution No. 445 on the General Budget for fiscal year 2005-2006. The effectiveness of this Act shall be extended until June 30, 2007.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 38 (H.B. 1718) (Conference) of the 1st Session of the 15th Legislature of Puerto Rico:

AN ACT to amend subsection 1 of Article 7.020 of Act No. 77 of June 19, 1957, as amended, known as the “Insurance Code of Puerto Rico,” in order to increase the tax on premiums imposed to insurers who do not have their main offices in Puerto Rico,

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

In San Juan, Puerto Rico, today 1st of February of 2006.

Francisco J. Domenech
Director