

(H. B. 718)  
(Reconsidered)

**(No. 126)**

(Approved October 6, 2005)

## **AN ACT**

To amend subsection 31, repeal subsection 32 and renumber subsections 33 and 34 as subsections 32 and 33 respectively, of Section 9 of Act No. 113 of June 10, 1974,\* as amended, known as the “Municipal License Tax Act” in order to eliminate the exemption from payment of municipal license tax for those companies engaged in the purchase and sale of crude oil and its by-products whose operations are conducted pursuant to the provisions of the Foreign Trade Zones Act; and to eliminate the exemption to the income from the sale of crude oil and its by-products to the Electric Power Authority to generate electric power, by companies engaged in the purchase and sale of petroleum and its by-products.

### **STATEMENT OF MOTIVES**

Two laws were promulgated in 1999 directed to excluding companies whose operations were located in the Foreign Trade Zones from the payment of municipal license taxes. One of these was Act No. 131 of June 17, 1999 which was approved with the objective of incorporating a tax incentive to industrial activities as well as to exports, through a mechanism to grant a payment exemption to those companies whose operations are located in the Foreign Trade Zones. It was considered that by means of granting an exemption in the payment of municipal license taxes through this Act approved by the Legislature, export activities would be promoted as an alternative for economic development.

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\* Translator’s Note: Should read Act No. 113 of July 10, 1974

Subsequently, the Legislature approved Act No. 350 of December 21, 1999, for the purpose of establishing that the companies engaged in the purchase and sale of crude oil and its by-products would be included in the exemption of income which was established by the aforementioned Act No. 131.

Said provisions of law were amended by Act No. 130 of June 21, 2001, to clarify that said acts could not have retroactive effect.

The aforesaid provisions of law for the exemption of municipal license taxes read as follows:

#### Section 9.- Exemptions

The following shall be exempted from the payment of the license tax levied by authority of law:

(1) ...

The purpose of this legislative measure is to amend subsection 31 and repeal subsection 32 of the Municipal License Tax Act to exclude companies engaged in the purchase and sale of crude oil and its by-products whose operations are conducted pursuant to the provisions of the Foreign Trade Zones Act from the benefit of exemption from the payment of municipal license taxes. Also excluded from the benefit of exemption is the income from the sale of crude oil and its by-products to the Electric Power Authority to generate electric power, by companies engaged in the purchase and sale of petroleum and its by-products.

The amendments proposed intend to do justice to the municipalities whose income has been affected by municipal license taxes, with the exemption granted to this type of crude oil company

which does not produce direct jobs nor results in any type of palpable benefit for the citizenry.

**BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:**

Section 1.- Subsection 31 is hereby amended, subsection 32 is hereby repealed, and the following subsections 33 and 34 are hereby renumbered as subsections 32 and 33, respectively of Section 9 of Act No. 113 of June 10, 1974, as amended, to read as follows:

“Section 9.- Exemptions

The following shall be exempted from the payment of the license tax levied by authority of law:

(1) ...

(31) That income derived exclusively from the export activity generated by enterprises located in the Foreign Trade Zones, including income generated by the product used in the manufacturing, mixing or baling process within the Zone, established pursuant to the 1934 Foreign Trade Zones Act (19 U.S.C. 81 9a), by an entity incorporated under the laws of the Government of Puerto Rico or by a company authorized to do business in Puerto Rico, excluding companies engaged in the purchase and sale of crude oil and its by-products whose operations are conducted pursuant to the provisions of the Trade Zones Act, *supra*.

(32) Foreign ...

(33) ...”

Section 2.- This Act shall take effect January 1, 2006.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 126 (H.B. 718) (Reconsidered) of the 2<sup>nd</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to amend subsection 31, repeal subsection 32 and renumber subsections 33 and 34 as subsections 32 and 33 respectively, of Section 9 of Act No. 113 of June 10, 1974, as amended, known as the “Municipal License Tax Act” in order to eliminate the exemption from payment of municipal license tax for those companies engaged in the purchase and sale of crude oil and its by-products whose operations are conducted pursuant to the provisions of the Foreign Trade Zones Act; and to eliminate the exemption to the income from the sale of crude oil and its by-products to the Electric Power Authority to generate electric power, by companies engaged in the purchase and sale of petroleum and its by-products,

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

In San Juan, Puerto Rico, today 20<sup>th</sup> of December of 2005.

Francisco J. Domenech  
Director

