

(S.B. 1171)
(Conference)

(No. 167)

(Approved December 29, 2005)

AN ACT

To amend subsection (d)(4)(A) of Section 1169 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code,” in order to permit the transfer of the funds deposited in Individual Retirement Accounts to the Government of Puerto Rico Employees Retirement System; and for other purposes.

STATEMENT OF MOTIVES

Section 1169 and subsequent sections of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code,” (henceforth Code) regulates all matters related to Individual Retirement Accounts. Most of said accounts are opened to some extent for the purpose or the intention of ensuring the long-term future of the investor. There are also other different types of individual retirement accounts as a means to invest, which because of their nature obligatorily receive a different treatment within the juridical standards that regulate them.

Thus, subsection (d)(4) of Section 1169 of the Code specifically deals with the contributions through transfer, a process known as rollover. This Section establishes the parameters for determining when a rollover is deemed to exist, as well as the accounts to which said rollovers are permitted. This measure allows those public employees and their spouses who believe that they best ensure their future and that of their families by

contributing to the Retirement System of the Government of Puerto Rico, to totally or partially transfer their investment in individual retirement accounts to the aforementioned government retirement system without having to suffer deductions or tax burdens.

Thus, the Legislature of the Commonwealth of Puerto Rico believes it necessary to increase the opportunities for allowing the Puerto Rican public employees to determine in which way the investment will obtain greater benefits. It also opens a space to make flexible the diversification of investments, permitting total or partial, individual as well as conjugal transfers.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.-Subsection (d)(4)(A) of Section 1169 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code,” is hereby amended to read as follows:

(4) Rollover contribution.-Any sum paid or distributed shall be deemed to be a rollover contribution under this clause if it meets the requirements of paragraphs (A) and (B).

(A) In general.- The provisions of the preceding clause (1) shall not apply to a sum paid or distributed from an individual retirement account to the individual for whose benefit the account has been established if the total or partial sum received (in cash or any other type of property) is contributed to an individual retirement account (except a total contract) or to a non-deductible individual retirement account for the benefit of said individual or to the Government of Puerto Rico Employees Retirement System, be it from an individual

retirement account of the individual or an individual retirement account of his/her spouse, not later than sixty (60) days after having received said payment or distribution. The preceding notwithstanding, the rollovers to non-deductible individual retirement accounts shall be subject to the taxes provided in Section 1169B(d)(4) and, for the purposes of this paragraph, it shall be deemed that the requirements of the same are met if a contribution is made to the non-deductible individual retirement account, of a sum equal to the total sum received from the individual retirement account reduced by the contribution provided in said Section 1169B(d)(4) that has been withheld as therein provided.

(B)”

Section 2.-This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 167 (S.B. 1171) (Conference) of the 2nd Session of the 15th Legislature of Puerto Rico:

AN ACT to amend subsection (d)(4)(A) of Section 1169 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code,” in order to permit the transfer of the funds deposited in Individual Retirement Accounts to the Government of Puerto Rico Employees Retirement System; and for other purposes,

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

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

Francisco J. Domenech
Director