

(H. B. 2147)

(No. 234)

(Approved October 31, 2006)

## **AN ACT**

To repeal Act No. 9 of January 24, 1990, known as the “Caribbean Basin Projects Financing Authority (CARIFA) Act.”

### **STATEMENT OF MOTIVES**

The Caribbean Basin Projects Financing Authority (CARIFA) was created for the purpose of establishing a source of financing whereby Puerto Rico could share the use of benefits accrued by 936 Corporations with other Caribbean countries. The creation of CARIFA ensured the stability of Section 936 of the federal Internal Revenue Code, which granted a tax credit to U.S. companies applicable to the income generated from the investment of funds of said companies in certain designated activities. Among the tax advantages offered by Section 936 was that of being able to return the income generated by operations in Puerto Rico to the parent company, free of tax.

The total elimination of Section 936 also eliminated the reason for CARIFA’s existence, since the deposits that provided the financing funds granted by the latter were no longer available. However, upon the creation of this public corporation, the Legislature consigned the commitment of the Commonwealth of Puerto Rico with the holders of bonds issued by CARIFA. Section 12 of Act No. 9 of January 24, 1990, establishes that the rights conferred thereto shall not be limited until such bonds and interest on them are paid in full. At present, there are no outstanding bonds issued by CARIFA in circulation, since its last outstanding issue was paid off in August 2004. Furthermore, CARIFA lacks self-organizational structure,

since it operated with employees from and within the facilities of the Government Development Bank.

Therefore, in view of CARIFA's nonexistence, this Legislature deems it necessary to repeal Act No. 9 of January 24, 1990, known as the "Caribbean Basin Projects Financing Authority (CARIFA) Authority Act."

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

Section 1.- Act No. 9 of January 24, 1990, known as the "Caribbean Basin Projects Financing Authority (CARIFA) Authority Act" is hereby repealed.

Section 2.- Historic documents on the activities and operations of CARIFA shall remain in the custody of the Government Development Bank for Puerto Rico, and shall be subject to the norms, laws and regulations on the possession of documents that govern the agencies, corporations and instrumentalities of the Government of the Commonwealth of Puerto Rico.

Section 3.- The Government Development Bank for Puerto Rico is hereby directed to transfer to the Catastrophic Illnesses Fund of Puerto Rico, within thirty (30) calendar days as of the approval of this Act, the amount of one hundred thousand (100,000) dollars, covered into and held by the Bank in the name of the Caribbean Basin Projects Financing Authority (CARIFA). The remaining balance of the account shall be transferred to the Bank to defray the miscellaneous expenses of the closing of operations and transfer of documents to the Government Development Bank.

Section 4.- This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 234 (H.B. 2147) of the 4<sup>th</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

**AN ACT** to repeal Act No. 9 of January 24, 1990, known as the “Caribbean Basin Projects Financing Authority (CARIFA) Act,”

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

In San Juan, Puerto Rico, today 13<sup>th</sup> of February of 2007.

Francisco J. Domenech  
Director