

(H. B. 3063)

(No. 276)

(Approved December 22, 2006)

AN ACT

To amend subclause (A) of clause (1) of subsection (c) of Section 1390 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994,” to increase the number of shareholders allowed in corporations of individuals from 35 shareholders to 75 shareholders.

STATEMENT OF MOTIVES

Section 1390 of the Puerto Rico Internal Revenue Code of 1994 (the “Code”), as amended, provides as a requirement to avail oneself of the treatment as a corporation of individuals that the corporation or partnership shall not have more than 35 shareholders or partners. In general, it also provides that the corporation or partnership must be domestic, that is, organized under the laws of the Commonwealth of Puerto Rico or under the laws of any of the states of the United States or the District of Columbia, and engaged in the exploitation of an industry or business exclusively in Puerto Rico. Under the Federal Internal Revenue Code of 1986, as amended, the limit is seventy-five (75) shareholders.

This Legislature deems it proper to amend the Code to increase the number of shareholders allowed in corporations of individuals from 35 shareholders to 75 shareholders. This allows our corporations or partnerships to continue to evolve without disruptions when the local taxes treatment is applied.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- To amend subclause (A) of clause (1) of subsection (c) of Section 1390 of Act No. 120 of October 31, 1994, as amended, to read as follows:

“Section 1390.—General rule

(a) ...

(b) ...

(c) Corporation of eligible individuals.—

(1) General.—For the purposes of this subchapter, the term “corporation of eligible individuals” means a domestic corporation which is an eligible corporation and which does not have:

(A) more than seventy-five (75) shareholders;

(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. 276 (H.B. 3063) of the 4th Session of the 15th Legislature of Puerto Rico:

AN ACT to amend subclause (A) of clause (1) of subsection (c) of Section 1390 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994,” to increase the number of shareholders allowed in corporations of individuals from 35 shareholders to 75 shareholders,

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

In San Juan, Puerto Rico, today 30th of April of 2007.

Francisco J. Domenech
Director