

(H.B. 2951)

(No. 286)

(Approved December 26, 2006)

AN ACT

To amend Section 16 of Act No. 225 of December 1, 1995, better known as the “Agricultural Tax Incentives Act of 1995,” as amended, in order to make it feasible to grant greater incentives for matching investments than those allowed under said Section to natural and/or juridical persons who invest in the stabilization or integration of the various components of the agricultural sector.

STATEMENT OF MOTIVES

The “Agricultural Tax Incentives Act of 1995,” was amended through Act No. 118 of May 21, 2004 by adding Sections 15, 16 and 17 for the purpose of eliminating the tax credits for investment granted under its Section 15. To substitute said credits a new incentive for matching investments in agricultural businesses was established; setting forth that the individual amount of each incentive to be granted shall never exceed the sum of two hundred and fifty thousand (250,000) dollars per production core. Said amendment helped to expedite the granting of the incentives by delegating on the Farming and Animal Husbandry Service and Development Administration (ASDA, Spanish acronym), their evaluation and concession. However, that limitation prevents the government from significantly contributing in those cases whereby the purpose of the proposed investment is the integration of an agricultural sector as established in the public policy

concerning the organization of said sectors according to Act No. 238 of September 18, 1996.

Puerto Rican agriculture has shown to have great potential for generating employment for thousands of workers and efficiently contributing to the Island's economy. Examples such as the milk industry, the broiler chicken industry and the garden produce and vegetables industry are some of the new industries that promote the economy of the modern agricultural sector. All these industries share as common denominator the entrepreneurial organization and orderliness of a sector by promoting vertical integration activity. This dynamic furthermore promotes the fair participation of all industry components, and the competition, quality and uniform production and distribution that guarantees success in the marketing of the product.

Industries of this type require industrial-commercial investments for the efficient transformation of the product. Sadly, such investments are limited because of the ceilings imposed by Act No. 225 of December 1, 1995, better known as the "Agricultural Tax Incentives Act of 1995," as amended. For this reason, the Legislature believes it imperative to provide the tools needed to strengthen those agricultural sectors that are able to grow and compete beyond the boundaries of our beloved Island. We have to adopt an outlook of growth so as to be able to promote the industrialization of the various agricultural sectors. To achieve this objective we must implement new agricultural techniques and new methods for processing and marketing agricultural products so that the investments may render a higher yield.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.-Section 16 of Act No. 225 of December 1, 1995, better known as the “Agricultural Tax Incentives Act of 1995,” as amended, is hereby amended to read as follows:

“In substitution of the fifteen million (15,000,000) dollars in annual tax credits contemplated by Section 12 of this Act, the sum of fifteen million (15,000,000) dollars is hereby appropriated and authorized from appropriations originating from the General Fund, to be allotted annually to the Farming and Animal Husbandry Service and Development Administration (ASDA, Spanish acronym), to be used in the granting of incentives to match in cash investments or investments in agricultural businesses under those standards and restrictions established by the Secretary of Agriculture; provided, that in no case shall the amount of the incentives to be granted exceed the sum of two hundred fifty thousand (250,000) per *bonafide* farmer, investor or participant per fiscal year and who proves that with this investment, he or she shall increase the number of jobs in his/her agricultural business; in the case of Production Cores, the Appropriation shall be of one million five hundred (1,500,000) dollars per fiscal year.

In those cases whereby the Secretary of Agriculture determines that the investment to be matched provides for the stabilization or integration of an agricultural sector, the matching of the investment per agricultural sector is authorized for an amount of up to five million (5,000,000) dollars per year during a period of five (5) consecutive years as of the date on which the integration of said sector was initiated. The Secretary shall evaluate the amount of the investment to be matched taking into consideration the total amount invested by him/her or the investors in the natural or juridical entity

with which the sector is integrated at the beginning of the integration period, even though the matching is done during the five (5) consecutive years and that are subsequent to the integration period.

The investment in any agricultural business may be up to a maximum of fifty (50) percent, according to the number of applications and the funds available. It is hereby provided that upon receiving the incentive to match the investment, the investor or participant that sells his/her business within a term of five years or less, shall return to the Government of Puerto Rico the incentive, prorated at five (5) years. During the first (1st) year, he/she shall return one hundred (100) percent of the incentive; in the second (2nd) year, he/she shall return eighty (80) percent; in the third (3rd) year, he/she shall return sixty (60) percent; in the fourth (4th) year, he/she shall return forty (40) percent; and in the fifth (5th) year, he/she shall return twenty (20) percent of the incentive for investment he/she was granted. The Secretary of Agriculture shall submit an annual report to the Legislature on the use of the funds.”

Section 2.-The Secretary of Agriculture is hereby directed to set aside the investment funds to be used in the case of the stabilization or integration of agricultural sectors from the annual appropriations proceeding from the General Fund for granting tax incentives, as designated by the Farming and Animal Husbandry Service and Development Administration (ASDA) for the purposes of matching investments.

Section 3.-This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 286 (H.B. 2951) of the 4th Session of the 15th Legislature of Puerto Rico:

AN ACT to amend Section 16 of Act No. 225 of December 1, 1995, better known as the “Agricultural Tax Incentives Act of 1995,” as amended, in order to make it feasible to grant greater incentives for matching investments than those allowed under said Section to natural and/or juridical persons who invest in the stabilization or integration of the various components of the agricultural sector,

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

In San Juan, Puerto Rico, today 26th of February of 2007.

Francisco J. Domenech
Director