

“Municipal Property Tax Act of 1991”

Act No. 83 of August 30, 1991, as amended

(Contains amendments incorporated by:

Act No. 45 of August. 6, 1992
Act No. 130 of August. 9, 1995
Act No. 9 of February 15, 1996
Act No. 64 of July 3, 1996
Act No. 196 of September 6, 1996
Act No. 75 of August. 12, 1997
Act No. 83 of August. 14, 1997
Act No. 170 of December 19, 1997
Act No. 95 of June 24, 1998
Act No. 128 of July 17, 1998
Act No. 135 of July 17, 1998
Act No. 258 of August 27 1998
Act No. 260 of August 28 1998
Act No. 347 of December 21, 1999
Act No. 103 of June 17, 2000
Act No. 28 of May 4, 2001
Act No. 153 of November 1, 2001
Act No. 159 of June 24, 2004
Act No. 214 of August 18, 2004
Act No. 19 of January 23, 2006
Act No. 222 of October 3, 2006
Act No. 147 of August 1, 2008
Act No. 248 of August 10, 2008
Act No. 7 of March 9, 2009
Act No. 37 of July 10, 2009)

(Amendments non-incorporated:

Act No. 51 of May 11, 2010
Act No. 71 of July 2, 2010
Act No. 74 of July 2, 2010
Act No. 180 of December 1, 2010)

To adopt the "Municipal Property Tax Act of 1991" to confer powers and faculties and assign functions to the Municipal Revenue Collection Center and transfer to it those related to real and personal property taxes previously assigned to the Secretary of the Treasury to provide for everything relative to the appraisal, levy, notification, determination and collection of property taxes; to provide for the classification valuation

and appraisal of the property and the releases and exemptions granted by law; to amend subsection (1) of Article 1823 and subsection (1) of Article 1824 of the Civil Code of Puerto Rico of 1930, as amended and Section 200 of Act No. 198 of August 8, 1979, as amended and Section 1301 of Act No. 3 of January 9, 1956, as amended to, repeal Articles 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 302, 303, 304, 305, 306, 307, 308, 309, 311, 314, 315, 316, 317, 319, 320, 321, 322, 323, 324, 325, 326, 328, 330, 331, 332, and 333 of the Political Administrative Code of 1902, as amended, Section 1 of Act No. 1 of September 27, 1951, as amended, clause 3 of subsection A of Section 2 of Act No. 235 of May 10, 1949, as amended, Act No. 80 of May 10, 1937, as amended, Act No. 81 of May 10, 1947, as amended, Act No. 27 of April 29, 1943, as amended, Act No. 61 of May 5, 1945, as amended, Act No. 117 of May 9, 1947, as amended, Act No. 151 of May 11, 1948, as amended, Act No. 269 of May 11, 1949, as amended, Act No. 142 of April 24, 1951, as amended, Act No. 100 of June 25, 1957, as amended, Act No. 60 of June 20, 1958, as amended, Act No. 80 of June 25, 1959, as amended, Act No. 71 of June 8, 1960, as amended, Act No. 34 of June 15, 1965, as amended, Act No. 70 of June 25, 1969, as amended, Act No. May 29, 1970, as amended, Act No. 31 of May 10, 1974, as amended; and Act No. 80 of July 21, 1977, as amended; and to establish penalties.

STATEMENT OF MOTIVES

Property taxes constitute the main source of revenue for the municipalities. However, in the present plan, the functions and powers relative to such income are under the control and administration of the Secretary of the Treasury.

In view of this situation, and in keeping with the interest of this Administration to adopt a municipal reform based on greater fiscal autonomy for the municipalities, it was deemed convenient and necessary to transfer and grant to them maximum financial independence. To such ends, all the powers and faculties relative to the appraisal, levy, notification, determination and collection of property taxes are hereby conferred upon them.

Through this new plan the local governments are given alternatives for revenues and programs, and systems and services, that promote a more effective financial and managerial administration, and thus protect the proper use of public funds. In this manner, the system is geared towards ensuring a fairer and more equitable distribution of the tax burden, a better quality of life as well as a greater degree of excellence in the services rendered to our fellow citizens.

Be it enacted by the Legislature of Puerto Rico:

TITLE I. — [SHORT TITLE AND TRANSFER OF POWERS]

Section 1.01. — Short Title. (21 L.P.R.A. § 5001 note)

This Act shall be known as the "Municipal Property Tax Act of 1991"

Section 1.02. — Transfers of Powers. (21 L.P.R.A. § 5001 note)

All powers, faculties and functions relative to real and personal property taxes in Puerto Rico, including credit rights and ratings and preferred liens held and exercised by the Secretary of the Treasury up to the date of approval of this Act are hereby transferred to the Municipal Revenues Collection Center, hereinafter denominated as "Collection Center" or "the Center".

TITLE II. — TAX RATE ON REAL AND PERSONAL PROPERTY. [21 L.P.R.A, Subtitle 7, Chapter 241]

Section 2.01. — Basic Tax, Property non-exempted and non-exonerated. (21 L.P.R.A. § 5001)

(A) Municipalities are hereby authorized to levy, through municipal ordinances approved to that effect, for fiscal year 1992-93 and for each subsequent fiscal year, a basic tax of up to four percent (4%) per annum on the appraised value of all personal property and of up to six percent (6%) per annum on the appraised value of all real property not exempted or exonerated from taxes, located within their territorial limits, which will be in addition to any other tax levied by virtue of other laws in effect. Notwithstanding the foregoing, for fiscal years 2009-10, 2010-11, and 2011-12 or until the revenues established under Section 15 of this Act are raised, the basic tax to be levied by municipalities on real property may not exceed point six percent (0.6%) per annum.

The municipalities are hereby authorized to levy, by ordinance, property tax rates lower than those provided previously when the type of business or industry to which the property is dedicated, or its geographical location, dictates the convenience of doing so for the development of commercial activity or of any rehabilitation and development zone defined or established through a municipal ordinance. This authorization includes the power to promulgate sequential or progressive rates within the maximum or the minimum, as well as to establish lower rates and even to exonerate from payment of property taxes, when it is desired to promote investment in the development and rehabilitation of deteriorated or decaying urban areas of the municipality, all of which is subject to compliance with the conditions and formalities established by the municipality through ordinances, and to the person or business being up to date in the payment of Commonwealth and municipal taxes. The levy of lower rates and/or the exoneration from payment of property taxes shall be uniform for businesses of the same nature within each industrial and commercial sector. Until a municipality adopts new tax rates, the rates corresponding to each municipality shall be the sum of the rates adopted by each municipality pursuant to the provisions of law in effect up to the date of approval of this Act, plus one percent (1%) per annum on the appraised value of all personal property in the municipality and three percent (3%) on the appraised value of all real property in the municipality, which is not exempted or exonerated from taxes that had been covered into the Special Fund of the Commonwealth of Puerto Rico up to the date of approval of this Act.

(B) The Collection Center shall appraise and collect said tax pursuant to the same procedures and subject to the same limitations and rights provided by this Act for the appraisal and collection of property taxes in Puerto Rico.

(C) The proceeds of the tax levied by this section shall be covered into the Matching Fund for the Municipalities in the manner provided by Section 2.04 of this Title.

Section 2.02. — Special tax for the amortization and redemption of General obligations of the Commonwealth and the Municipalities. Exemption. (21 L.P.R.A. § 5001)

A special tax of one point zero three (1.03) percent per annum on the appraised value of all personal and real property in Puerto Rico not exempted from taxes is hereby levied for fiscal year 1992-93 and for each subsequent year, for the amortization and redemption of the general obligations of the Commonwealth. Municipalities are hereby authorized and empowered to levy another additional surtax subject to the requirements established in Act No. 4 of April 25, 1962, as amended. This surtax shall be in addition to all other taxes imposed by virtue of other laws in effect. The Municipal Revenues Collection Center is hereby empowered and directed to annually collect these taxes. Notwithstanding the foregoing, for fiscal years 2009-2010, 2010-2011, and 2011-12, the special surtax for the amortization and redemption of the general obligations of the Commonwealth applicable with respect to real property shall be determined on the basis of a rate of point one zero three (0.103) percent per annum. Furthermore, for fiscal years 2009-2010, 2010-2011, and 2011-2012, the special surtax on real property shall be reduced to one tenth (1/10) of the tax rate that has been adopted by the municipality by municipal ordinance for levying said tax for each one of these fiscal years.

The owners of property for residential purposes are hereby exonerated from the payment of the special surtax and the basic tax levied by virtue of Sections 2.01 and 2.02 of this Act and the property taxes levied by the municipalities of Puerto Rico corresponding to fiscal year 1992-93 and to each subsequent fiscal year in an amount equal to the tax levied on said properties up to fifteen thousand (15,000) dollars of the appraised value of the property, subject to the provisions of Section 2.07 of this Act. In the case of properties partially devoted to residential use, the exoneration from payment of said taxes which would otherwise be payable, shall be recognized only as to that portion of the property devoted to such purposes for up to an amount equal to fifteen thousand (15,000) dollars of the appraised value. For fiscal years 2009-2010, 2010-2011, and 2011-2012, the exemption applicable to the owners of properties for residential use shall increase to one hundred fifty thousand (150,000) dollars. For said fiscal years, in the case of properties partially devoted to residential use, the exoneration from the payment of said taxes, which would otherwise be payable, shall be recognized only as to that portion of the property devoted to such purposes for up to an amount equal to one hundred fifty thousand (150,000) dollars of its appraised value.

In the case of properties for residential purposes, both the husband and wife shall be deemed as owners and beneficiaries of this exemption, and taxpayers, and in the event of the death of [either] of the spouses, the surviving spouse shall continuously keep the exemption without having to apply for a new exemption, provided that he/she is the original titleholder.

It is hereby provided that in order to keep the above exemption, the surviving spouse shall be bound to comply with all the requirements of this Act, particularly with those regarding the use of the property subject to the abovementioned exemption for residential purposes.

In the case of veterans, the exemption from payment of taxes granted by the provisions of this Section, shall be computed after deducting from the appraised value of the property the exemption granted to veterans by legislation in effect.

In the case of taxpayers who avail themselves of the exemption benefits established by this section and the benefits of a discount for prompt payment as established by Section 3.48 of this Act, said discount shall be computed on the basis of the difference resulting after [subtracting] the amount of the exemption granted by virtue of the provisions of this section from the total tax levied which is subject to collection.

Any structure shall be understood to be devoted to ‘residential use’ when on the 1st day of January of the corresponding year, it is being used as residence by its owner or his/her family, or any new structure, built to be sold and appraised for tax purposes in the name of the entity or person who built it, if on the date of issue of the tax receipt, it is being used or is available for use by the buyer as his/her home or that of his/her family, provided the owner did not receive rent for its occupancy; including, in the case of properties located in the urban zone, the lot where said structure is located, and in the case of properties located in the rural and suburban zones, the land where such a structure is located, for up to a maximum capacity of one (1) cuerda. When a taxpayer acquires a new structure built after the 1st of January of any year and submits the certification as evidence that he/she uses it as a home for him/herself or his/her family, the mortgage creditor shall withhold the tax corresponding to the excess of the appraised value over fifteen thousand (15,000) dollars or the tax corresponding to that part of the property not being used as a home by the owner or his/her family. For fiscal years 2009-2010, 2010-2011, and 2011-2012, the mortgage creditor shall withhold the tax corresponding to the excess in appraised value over one hundred fifty thousand (150,000) dollars or the tax corresponding to that part of the property not being used as a home by the owner or his/her family.

Once the certification is submitted, the mortgage creditor will notify as much to the Collection Center within a period of thirty (30) days from the date of acquisition of the property.

The tax exemption benefits established by Sections 2.01 and 2.02 of this Title are limited to only one dwelling in every case in which the same owner has more than one property.

For the purposes of this section, the term "family" includes the spouses and their relatives within the fourth degree of consanguinity or the second degree of affinity.

For purposes of this section, the term "owner" includes any housing cooperative, limited dividends corporation or non-profit association. In cases of housing cooperatives, the tax exemption provided by Sections 2.01 and 2.02 of this Title shall be computed on the appraised value for tax purposes proportionally attributable to each housing unit. It will be optional for such cooperatives to avail themselves of the exemption provided by this section, or the tax exemption provided by Act No. 291 of Apr. 9, 1946, known as the "General Act of Cooperative Partnerships of Puerto Rico".

"Limited dividends corporation" shall be understood to be those corporate organizations, created exclusively for the purpose of providing housing to low or moderate income families, which are limited as to the distribution of their income by the law which authorizes their

incorporation or by their own corporate charter, provided they qualify under Sections 221(d)(3) or 236 of the National Housing Act (Public Law 90-448, 82 Stat. 476, 498) and operate in accordance with the regulations of the Federal Housing Administration Commissioner regarding the distribution of their income, the availability of housing for low or moderate income families, the fixing of rents, fees, rates of return and operating methods, according to a certificate issued by the Department of Housing of Puerto Rico.

A nonprofit association shall be understood to be, for purposes of this section, a nonprofit organization which provides housing for low or moderate income families on condition that the property be used and that the rental fees be fixed pursuant to the rules and regulations promulgated by the Federal Housing Administration under Sections 221(d)(3) or 236 of the National Housing Act, as amended (Public Law 90-448, 82 Stat. 476, 498), when so certified by the Department of Housing.

Nonprofit associations shall also be understood to be those nonprofit organizations which provide housing to be rented to persons over sixty-two years (62) of age on condition that said corporations qualify under § 202 of the National Housing Act, as amended (Public Law 36-372, 86th Congress, 73 Stat. 654), when certified by the Department of Housing.

In order to enjoy the tax exemption benefits provided by Sections 2.01 and 2.02 of this Title, it will be necessary to prove, through a certification presented at the Collection Center, or to the mortgage creditor if any, in the manner and on the date provided by the Collection Center, that the taxpayer meets the requirements established herein including all the necessary information, so that the Collection Center may carry out a correct computation of the tax exemption authorized by this section. Any taxpayer who has presented the certification referred to in this paragraph shall be bound to notify, as provided below, any changes in his/her qualifications for enjoying the tax exemption granted herein, and any transfer and modification of the domain on the property regarding that over which said certification was filed. If the property secures a loan, the taxpayer is bound to deposit periodically, the amount of the property taxes with the mortgage creditor, and the taxpayer shall notify the changes in his qualifications to the mortgage creditor who, in turn, shall notify the Collection Center. In all other cases the changes in the qualifications shall be notified directly to the Collection Center. In both cases, the changes in the qualifications shall be notified prior to the first of January following the date in which the changes in said qualifications were made.

In all cases in which the property which secures a loan is devoted to residential use and the taxpayer is bound to deposit periodically with the creditor the taxes that are to be paid on that property, the creditor shall pay the net tax levied according to the receipt, minus the corresponding discount for advance payment, in those cases where the receipt is for an invoice which takes into consideration the tax exemption granted for taxes established by Sections 2.01 and 2.02 of this Title. When the invoice has been made for the total tax levied without taking into consideration the tax exemption, but the mortgage creditor is able to prove that the taxpayer is entitled to the exemption, he/she will deduct the amount corresponding to the exemption from the total tax levied and the discount for advance payment. He/She shall pay the difference and include with the payment the certification that proves the right to the exemption.

When the property has not been appraised, but the mortgage creditor is able to prove that the property is taxable pursuant to this Act or any other ordinance in effect, and that the

taxpayer is entitled to the tax exemption granted by this Section, he/she will proceed to determine a preliminary tax pursuant to the valuation parameters in effect which will be supplied by the Collection Center; he/she will deduct from the total of the determined tax the amount corresponding to the exemption and the discount for prompt payment and will collect the corresponding tax and pay the aforesaid to the Collection Center. Said payment will be accompanied by a certification attesting to the location of the property, its official real estate district record number or the taxpayer's social security number, the preliminary appraised tax, the amount of the tax exemption and the tax paid to the Collection Center. The Center will appraise the property subject to the payment within the six (6) -month period after the certification is received.

If after making the adjustment and the payment indicated in the previous paragraphs, there is a difference between the amount deposited by the taxpayer for payment of taxes and the real amount paid by the mortgage creditor in the name of the taxpayer, the mortgage creditor shall be bound to reimburse the resulting surplus to the taxpayer.

As an indispensable condition for the taxpayer to enjoy the benefits of the exemption provided by this section, it is established that by the 1st of January prior to the fiscal years for which the tax exemption is requested, the taxpayer not owe any amount on account of real property taxes on the property subject to the tax exemption application, or that instead, the taxpayer draw a payment plan and obtain its approval so as to ensure the liquidation of the debt. This payment plan must be drawn within thirty (30) days after the exemption certificate has been filed. In case the taxpayer should fail to comply with the requirement to draw the payment plan, the right to the tax exemption authorized by this section shall not be recognized for those fiscal years for which the taxpayer filed the certificate but did not draw any payment plan whatsoever.

Should the taxpayer fail to pay the amount due as agreed in the payment plan, the total debt will be deemed as due and the Collection Center will proceed to collect it through legal collection proceedings pursuant to the provisions of this Act, including expenses for auction notices and subtracting what has been paid up to that moment. The Collection Center is hereby empowered to enter a lien to last until the total liquidation of the tax debt.

None of the provisions of Sections 2.01 and 2.02 of this Title shall prevent the Collection Center from resorting to the sale at public auction of any property devoted to residential use when the aforesaid is, or could be, securing a lien for tax debts.

When payment plan is granted to owners partially exempt from the tax levied to liquidate a debt in arrears, the provisions of Section 3.46 of this Act, concerning the application of payments in a rigorous date-due order shall not apply upon liquidation of the tax corresponding to the 1992-93 fiscal year and subsequent fiscal years, regarding the tax exemption provided for taxes imposed by Sections 2.01 and 2.02 of this Title.

Any person who in order to avail him/herself of the tax exemption benefits established by Sections 2.01 and 2.02 of this Title , presents any fraudulent statements, evidence or information, or intentionally fails to notify any changes whatsoever in his/her qualifications to enjoy the tax exemption benefits established herein, or intentionally fails to notify any ownership transfers or modifications concerning the property by virtue of which he/she enjoys the benefits of said exemption, or who knowingly fails to present or hides the true details which allow the Collection Center to make a correct computation of the authorized tax exemption for the taxes established by Sections 2.01 and 2.02 of this Title , shall incur a

misdemeanor and, upon conviction, shall be sanctioned with a fine of five hundred dollars (\$500) or imprisonment for six (6) months, or with both penalties, at the discretion of the court.

The Collection Center shall prescribe the rules and regulations needed to comply with the provisions of Sections 2.01 to 2.02.

Section 2.03. — Exemptions for new construction. (21 L.P.R.A. § 5003)

The owners of newly built properties who operate the aforesaid under the provisions of Section 8 of the National Housing Act of 1974 (Public Law 93-383, 88 Stat. 659), are hereby exempt from paying the tax levied by Sections 2.01 and 2.02 of this Title , corresponding to the taxable years subsequent to the approval of this Act, as long as they continue to operate under said provisions in order to provide subsidized rental housing to low or moderate income families when it is so certified by the Department of Housing of Puerto Rico.

The owners of properties who have acquired low cost housing projects from the Department of Housing to partially rehabilitate them and use them to provide subsidized rental housing to low or moderate income families under the Rent Subsidy Plan provided by Section 8 of the National Housing Act of 1974 (Public Law 93-383, 88 Stat. 659), are also exempt from paying the tax levied by Sections 2.01 and 2.02 of this Title , as long as they continue to operate under said provisions and it is so certified by the Department of Housing. The above mentioned exemption shall apply to all acquisitions of low cost housing projects as of the 1992-93 fiscal year.

A total exemption of the property taxes to be paid for a new building that is intended to be rental to moderate-income families and is built and occupied between January 1, 1996 and December 31, 1998, is hereby granted for a term of five (5) years. Such exemption shall be effective from the date of occupancy by the tenant and subject to certification by the Municipal Housing Division or, in defect thereof, by the office of Federal Programs of each municipality. Said new construction can be on land or as a second story on the roof of an existing housing unit owned by the person who intends to rent it. To be entitled to said five (5) years tax exemption, said new construction shall be commenced on or after January 1, 1996, but shall be finished no later than December 31, 1998, and shall be occupied before said date.

The Commissioner of Municipal Affairs shall be in charge of drafting the regulations that shall establish the requirements to qualify for this unsubsidized rental housing program, as well as the procedure to apply for said housing. Said regulations shall provide that said procedure shall be one that does not take longer than one month. The Commissioner shall circulate said regulations to all the municipalities of Puerto Rico, which for these effects, shall be promulgated on or before November 30, 1995, in order to comply with the provisions of this Act. It is also provided that a Registry be created in the Municipal Housing Division, or in defect thereof, in the Office of Federal Programs, in which the owners who construct a house intended to be rented to moderate income families, are listed. The property owner shall submit a copy of the new property's title deed and of the use permit issued by the Regulations and Permits Administration (ARPE, Spanish acronym), to said Registrar.

For the purposes of the third paragraph of this section, the following terms shall have the meanings stated below:

(a) *Property owner*. Shall mean the person in whose name the new property is listed in the Property Registry and in the corresponding Municipal Revenues Collection Center (CRIM, Spanish acronym).

(b) *Moderate income families*. Any family of two (2) or more members whose income is greater than public housing requirements and/or is not eligible to occupy housing projects constructed and administered by the Department of Housing, its attached bodies, or by the municipalities, and whose income does not permit it buy an adequate, safe and clean house built by private enterprise, shall be considered to be a moderate-income family.

(c) *Rent*. Those properties for which a maximum of three hundred dollars (\$300) is paid for monthly rent, shall be entitled to the benefits provided in this Act. Utilities such as water, electricity, gas, or maintenance expenses of the rental property shall not be included as part of the rent.

(d) *Housing Unit*. Shall be understood to be a structure of two (2), three (3) or four (4) bedrooms, living-dining room, one or two (2) bathrooms.

(e) *New Real Property*. Shall be understood to be a structure whose construction commenced on or before January 1, 1996, and is finished on or before December 31, 1998, on land, or as a second level over the ceiling of an existing housing unit owned by the person, who intends it to be rented, and is occupied between the dates mentioned above. The rehabilitation, reconstruction, remodeling or expansion of existing housing units, shall not be included this term.

Section 2.04. — Collection and entry of taxes in funds and application of tax proceeds.
(21 L.P.R.A. § 5004)

The proceeds from the taxes levied by Sections 2.01 and 2.02 of this Act shall be covered into the general trust established jointly by the Collection Center and the Government Development Bank, pursuant to the provisions of subsection (c) of Section 4 of the "Municipal Revenues Collection Center Act"

(a) The product of the surtax on property imposed by Section 2.02, shall be entered, in turn, into a trust established by the Secretary of the Treasury with the Government Development Bank for Puerto Rico, known as the Commonwealth Debt Redemption Fund. The product of said surtax shall remain in said Fund and shall be applied by the Government Development Bank for Puerto Rico solely for the payment of the principal and interest on the existing and future general obligation of the Commonwealth of Puerto Rico evidenced by bonds or notes, or to the early redemption of said obligation, including the payment of any premium that is required for said early redemption.

(b) The Collection Center is bound to deposit in the Commonwealth Debt Redemption Fund the proceeds of the 1.03% property tax (0.103% for fiscal years 2009-2010, 2010-2011, and 2011-2012) in connection with real property taxes not later than the fifteenth working day after payment has been made by the taxpayer.

(c) The proceeds of the surtax on property authorized under Section 2.02, shall be entered, in turn, to a trust established by the Municipal Revenues Collection Center with the Government Development Bank for Puerto Rico, known as the Municipal Public Debt Redemption Fund. With the exception of the portion that constitutes "excess in the redemption fund", the proceeds of these surtaxes shall remain in said fund and shall be

applied by the Government Development Bank for Puerto Rico first and foremost for the payment of the principal and interest on the existing and future general obligations of the municipalities evidenced by bonds or notes or the early redemption of said obligations, including the payment of any premium required for said early redemption.

(d) The early redemption of the general obligation of the Commonwealth and of the municipalities evidenced by bonds and notes, shall be executed with the approval of the Government Development Bank for Puerto Rico.

Section 2.05. — Prior-lien bond. (21 L.P.R.A. § 5005)

The provisions of Sections 2.02 to 2.08 of this Title regarding the payment of principal and interest on general obligations of the Government of Commonwealth of Puerto Rico and of the municipalities, evinced by bonds or notes, will be considered to be a prior lien bond and the same will constitute sufficient authorization for the Government Development Bank for Puerto Rico to carry out the corresponding [distributions] pursuant to this Act.

Section 2.06. — Compensation to municipalities for exemptions. (21 L.P.R.A. § 5006)

Pursuant to the provisions of Section 2.09 of this Act, the Secretary of the Treasury shall compensate the corresponding municipalities for uncollected property taxes resulting from the tax exemption provided by Section 2.02 of this Title on residential properties whose exemption had been requested [up] to the 1st of January, 1992, as provided in this Act.

The Secretary of the Treasury shall continue to remit annually to the Government Development Bank for Puerto Rico for the benefit of each municipality, the sum equal to the uncollected amount of said basic tax levied by the municipalities as of August 30, 1991, up to a maximum of two (2) percent, chargeable to the appropriation provided in Section 2.09 of this Act, as well as the tax levied for the payment of municipal loans, from the tax exemptions requested up to the 1st of January, 1992, as indicated above.

Section 2.07. — Modification of Tax exemption. (21 L.P.R.A. § 5007)

The tax release or exemption provided by Section 2.02 of this Title on residential properties can not be eliminated or reduced.

Section 2.08. — Commitment on good faith, credit and taxing power. (21 L.P.R.A. § 5008)

Nothing contained in this Act shall be construed to modify a prior action taken according to law that commits the good faith, the credit and the taxing power of the Commonwealth or of any municipality for the payment of principal or interest on any bonds or notes of the Commonwealth or of any municipality, nor does it impair guaranty of commitments of such a nature entered into from now on according to the law. When the resources available for a fiscal year are not sufficient to cover the appropriations approved for that year, the procedures provided in Sec. 8 of Art. VI of the Constitution of the Commonwealth of Puerto Rico shall be followed.

Section 2.09. — Appropriation to the Fund for the Matching of Municipal Revenue. (21 L.P.R.A. § 5009)

An amount equal to the uncollected tax on residences whose exoneration had been requested by January 1, 1992, as provided by this Act, resulting from the tax exoneration provided by Section 2.02 of this Act, plus the equivalent of the amount of twenty hundredths of one percent (2 hundredths of 1 percent (0.02%) on property tax for fiscal years 2009-2010, 2010-2011, and 2011-2012 in connection with real property taxes), for which the municipalities are compensated by Act No. 16 of May 31, 1960, is hereby appropriated to the Collection Center from available funds in the Puerto Rico Commonwealth Treasury for 1992-93, and for each subsequent fiscal year, for deposit in the Government Development Bank for Puerto Rico as trustee, pursuant to the provisions of Section 2.04 of this Act.

Section 2.10. — Payment in lieu of taxes. (21 L.P.R.A. § 5010)

The payment in lieu of taxes made by public corporations to municipalities shall include the property taxes corresponding to them according to the applicable provisions of law up to the date of approval of this Act, plus the rate increase adopted by each municipality pursuant to this Act.

The tax corresponding to one (1) percent and to three (3) percent (point three percent (0.3%) for fiscal years 2009-10, 2010-11, and 2011-12) per annum of the appraised value of the real and personal property, respectively, or until the revenues determined under Section 15 of this Act are raised, which tax was covered into the General Fund in accordance with the provisions of law in effect on the date of approval of this Act, is hereby excluded from said computation.

The formula for payment in lieu of taxes shall be kept unaltered except when a municipality adopts a rate increase within the available margin under said former act and under this Act, in which case the rate increase decreed by the municipality shall modify the base or the computation of the amount which the municipality will pay in lieu of taxes.

TITLE III. — CADASTRAL SURVEY, CLASSIFICATION AND ASSESSMENT OF PROPERTY. [21 L.P.R.A., Subtitle 7, Chapter 243]

Section 3.01. — Cadastral Survey, Classification and Assessment of Property. (21 L.P.R.A. § 5051)

The Collection Center is hereby empowered, subject to applicable provisions of law and except as otherwise provided in this Section, to perform a cadastral survey of all real property in Puerto Rico, and to classify and appraise all real and tangible personal property and establish valuation and assessment norms so scientifically accurate and detailed that adequate and equitable property valuation rates may be set for tax purposes.

Provided, however, That the external plant used for line telecommunication services, including but not limited to, the poles, aerial and underground telecommunication lines, towers, antennas and the central offices used for such purposes, located in Puerto Rico,

owned by a person who operates or provides any line telecommunication services in Puerto Rico, shall be assessed on the basis of one hundred eighty eight dollars (\$188.00) for each voice channel installed, even though not in service. It is also Provided, That the external plant used for personal cellular telephone telecommunication services, and the central offices used to provide such services located in Puerto Rico owned by a person who operates or provides any personal cellular telephone telecommunication services in Puerto Rico, shall be assessed on the basis of three thousand dollars (\$3,000) for each voice channel installed, even though not in service.

It is further Provided, That the external plant used for personal beeper telecommunication services, and the central offices used to provide such services located in Puerto Rico owned by a person who operates or provides any personal beeper telecommunication services in Puerto Rico, shall be assessed on the basis of eleven thousand (\$11,000) for each personal beeper telecommunication frequency. The unit appraisal values indicated herein for the external plant and the central offices used for line telecommunication services, personal cellular telephone telecommunication and for beepers, may be revised, increased and reduced by the Collection Center from time to time, but never more frequently than every five years. The central offices and external plant used for long distance intrastate and interstate telecommunication services, owned by a person who only provides long distance intrastate and interstate telecommunication services, shall be appraised by the Collection Center pursuant to the valuation and appraisal norms established by the Collection Center pursuant to the first sentence of this paragraph.

Furthermore, the Collection Center is hereby empowered to execute written final payment agreements or commitments with any person with regard to the responsibility of said person, or of the person in whose behalf he/she acts, for the payment or repayment of the principal, interest, surcharges and penalties on the real property taxes levied by this Act corresponding to any taxable year.

Provided, that for purposes of this Act, the appraised value of all real property on January 1, 2009, January 1, 2010, and January 1, 2011, shall be the appraised value determined pursuant to the precepts established in this Act and in any other applicable law multiplied by ten (10).

Section 3.02. — New Appraisal. (21 L.P.R.A. § 5052)

The Collection Center may only perform a new appraisal of property in Puerto Rico when the conditions and requirements imposed by this Section are met.

The Governing Board of the Collection Center may authorize the Center to carry out a new appraisal for real property as well as for personal property in the manner provided below. For purposes of said appraisal, the Center must establish a new classification, adopt valuation norms and perform a new cadastral survey if needed.

The Governing Board may issue such a resolution only when it is shown, after a duly substantiated evaluation and report, that the Collection Center has substantially appraised all the unappraised real and personal property and that it has reached a level of operational efficiency in the collection of taxes as well as in the performance of its functions and operations that will allow it to have the personnel and mechanisms needed to perform a new appraisal.

The resolution ordering the Collection Center to perform a new appraisal of all tangible real and personal property in Puerto Rico must be approved by the unanimous vote of all the mayors who are members of the Governing Board and ratified by the Secretary of the Treasury.

Once the resolution ordering a new appraisal is approved and ratified, the Collection Center shall classify and appraise all real property in its real and current value using any of the recognized methods and factors for the appraisal or valuation of property, so that the appraisal of each of the different types of property yields uniform results.

Provided, that for purposes of this Act, none of the provisions of this Section shall apply to the appraisal of all real property as of January 1, 2009, January 1, 2010, and January 1, 2011.

Section 3.03. — Classification of Real Estate. (21 L.P.R.A. § 5053)

For the purposes of Sections 3.01 and 3.02 of this Act, and in order to determine the size of the various properties, the Collection Center may use the proper and reasonable methods and information and may also make such determinations based on the physical information found on the field and that which is furnished by the proprietor's agent. Should it be subsequently discovered that the Collection Center has not been correctly informed as to the legal division of any land into lots, said incorrect information shall not grant rights of any kind to the alleged owners of these properties. From then on, the Collection Center shall use as taxable units the original land lots or estates as they existed before being illegally divided. According to the Real Estate Office, the owner shall be liable for all unpaid taxes after deduction those payments that have already been made with all the consequences this may entail, including the attachment of the original land lot, provided for all effects and purposes, that no division or splitting into lots whatsoever has been made.

The Collection Center is hereby authorized to consider as approved for tax purposes only, the adjoining parcels belonging to the same owner within the same municipality, provided said grouping logically and reasonably expedites the appraisal of said property. At the request of the taxpayer, his/her heirs or assignees, or a mortgage creditor, the Collection Center shall distribute the tax thus assessed among the various parcels considered as a group, as provided above, when the boundaries of said parcels are clearly laid out in the deeds and can be established on the spot. The forms, cards, plans, maps, photographs, tables, graphics and all the documentation and information obtained and used by the Collection Center to classify, value and appraise the properties by the scientific method ordered by the sections in this title, shall be evidence and will constitute prima facie proof for taxable purposes, of the circumstances and appraised value of the property referred to, and as such shall be admitted in evidence by the Courts of Puerto Rico. The Collection Center, or any agent by it designated, may testify as to the information contained within such evidence and its connection to the value of the property to which it refers.

Section 3.04. — The right to enter any property, to take measurements. (21 L.P.R.A. § 5054)

In order to comply with the provisions of Sections 3.01 to Sections 3.08 of this Title, the Collection Center, its officials, agents, or employees, shall have the right to enter any

property to take measurements, ascertain boundaries, perform soil tests or carry out any other task that may be necessary or pertinent for such an appraisal, after notifying the owner or his/her representative at least five (5) days in advance.

Section 3.05. — General faculties of the Governing Board. (21 L.P.R.A. § 5055)

Pursuant to the faculties and duties granted by the Municipal Revenue Collection Center Act, the Governing Board of the Collection Center may:

- (a) Contract and recruit personnel and carry out all administrative duties needed for the execution and implementation of this Act.
- (b) Adopt and promulgate the rules and regulations needed for the administration of this Act, which shall be effective after due notice to the Governor of the Commonwealth and subject to Act No. 170 of August 12 , 1988, as amended, known as "Uniform Administrative Procedures Act of the Commonwealth of Puerto Rico. "
- (c) Hold public and administrative hearings, summon witnesses, require the presentation of books and documents pertaining to any investigation needed for the purposes of this Act, and take the oath of those witnesses appearing before it.

Section 3.06. — Access to the work of other agencies. (21 L.P.R.A. § 5056)

All departments, agencies, authorities and instrumentalities of the Commonwealth of Puerto Rico are hereby directed to put at the disposal of the Collection Center any report already prepared or being prepared or any work already performed or being performed, which is directly or indirectly pertinent to the purposes of Sections 3.01 to Sections 3.08 of this Title. The Planning Board and the Permits and Regulations Administration are also directed to notify the Municipal Revenue Collection Center as to changes in zoning, segregation and construction.

Section 3.07. — Judicial orders and writs. (21 L.P.R.A. § 5057)

The Court of First Instance is hereby invested with jurisdiction to issue any orders or writs needed to enforce the provisions of Sections 3.01 to Sections 3.08 of this Title by petition of the Collection Center.

Section 3.08. — Review of the appraisal of real property; unappraised property. (21 L.P.R.A. § 5058)

The Collection Center will proceed to draft a plan that will allow the continuous review of real property in order to keep it up to date, whether through modifications for depreciation due to use or any of the factors indicated in subsections (b), (c), and (d) of this section. This review must be carried out pursuant to the valuation norms in effect at the time the appraisal is reviewed.

Regarding unappraised property, the Center, in its continuous obligation to maintain the cadastre, classification and appraisal of real estate up to date, must appraise:

- (a) All property that has not been appraised by the date of approval of this Act;

- (b) all new construction;
- (c) all unappraised substantial improvements to, or reconstruction of real property that has been appraised before;
- (d) segregation and parceling pending processing on the effective date of this Act, as well as those authorized thereafter.

The classification and appraisal of real property described in the appraisals provided by subsections (a), (b), (c) and (d) of this section shall be performed under the standards of accuracy and scientific appraisal details adopted by the Secretary of the Treasury that are being applied and are in effect on the date of approval of this Act. The regulations, rules and procedures adopted to such effects by the Secretary of the Treasury shall remain in effect and shall only be amended, repealed or substituted by the Governing Board of the Collection Center after complying with the conditions and procedures provided in Section 3.02. It being understood that in the case of real estate subject to timeshare or vacation club regimes under Act No. 252 of December 26, 1995 [31 L.P.R.A. §§ 1251 et seq.], the appraisal of said real property shall not take into consideration the timeshare or vacation club rights constituted thereon.

The levy, notice and collection of taxes corresponding to the property indicated in subsections (a) and (b) of this section, shall only be retroactive for five (5) years from the date said property was appraised.

In the case of the properties indicated in subsection (c) which constitute the taxpayer's main residence, the levy, notice and collection of the corresponding tax shall be prospective from the date the appraisal is performed.

Section 3.09. — Appraisal and Collection Districts. (21 L.P.R.A. § 5059)

For the purpose of implementing this Act and performing the duties imposed and powers conferred upon it, the Collection Center is hereby authorized to create the necessary Appraisal and Collection Districts, and appoint the personnel, agents or representatives on whom it shall delegate its powers and duties pursuant to the Municipal Revenue Collection Center Act.

Section 3.10. — Books, blank forms and instructions; designation, powers and duties of the agents. (21 L.P.R.A. § 5060)

It shall be the duty of the Collection Center to ensure that the books, blank forms and other papers needed to perform the task of revising and keeping the property appraisal complete pursuant to the provisions of this Act are prepared; to publish the regulations that could be needed as guidelines for the taxpayers and as instructions for the agents and other officials charged with the obligation for appraising or revising the appraisal of the property, and to cause the preparation of complete forms for the appraisal of every kind of property which is, or could be subject to taxes under the laws of Puerto Rico to which may be added the interrogations deemed convenient for obtaining a complete disclosure of all said property. In order to carry out the appraisal, revision, inspection and collection efforts, the Collection Center shall designate agents, officials or representative which shall have and exercise the powers which correspond to such agents, officials and representatives, subject to the

Municipal Revenue Collection Center Act. When so ordered by the Collection Center, said agents, officials or representatives, shall serve judicial warrants, execute attachments and take charge of the general inspection of the foreclosure and sale of the property of delinquent taxpayers in the manner determined by this Act. They shall also assist the Center's employees, public agencies, and any financial institutions and auditing and credit cooperatives that have a tax collection agreement with the Center regarding the collection of taxes. They shall also have free access to the files of the property registrars, and be responsible for any other duties assigned to them by the Collection Center.

The agents charged with the property appraisal by order of the Collection Center shall have among their powers: the power to enter any property after due notice to the owner or his/her representative, for the purpose of taking the necessary steps to appraise said property or an adjoining property; to demand from the owner or person in charge of a property the presentation of existing maps or documents in their possession which may be necessary or useful for measuring or appraising of said property. when the owner or person in charge of the property who has been previously notified, refuses to allow the entry of the agent designated by the Collection Center without just cause, he/she or said agent may make an appraisal on his own initiative that shall have the same value and stature as any other appraisal. In this case, the Collection Center may also obtain from the Court of First Instance the necessary judicial order that will allow entry to the property, pursuant to Section 3.06 of this Title.

Section 3.11. — Definition of personal and real property. (21 L.P.R.A. § 5061)

All tangible personal and real property not expressly exempt from payment of taxes shall be appraised as taxable. For tax-appraisal purposes, the land, subsoil, structures, objects, machinery, and devices attached to the building or the land in any way which indicates permanency without taking into consideration whether the owner of the object or machinery is the owner of the structure, or if the owner of the building or other object resting on the land is the owner of the land, and without considering other aspects such as the intention of the parties in contracts which affect said property or other aspects which are not objective conditions of the property itself in the manner in which the same is attached to the building or the land and which help in the objective classification of the property itself as personal or real property.

Personal property shall include said machinery, containers, instruments or devices not adhered to the building or the land in a way which indicates permanence; grazing cattle, money, whether in the possession of the owner or another person or deposited in some institution; bond, shares, credit certificates in non-incorporated syndicates or association; copyrights, trade marks, franchises, concessions, and all other matters and things susceptible to being private property, not included in the meaning of the phrase "real property", although that shall not include credits in checking accounts, savings accounts, fixed rate deposits, notes or other personal credits.

For the purposes of tax assessments, the telephone switchboards, telephone devices, personal property acquired through lease contracts which are essentially equal to sales contracts of any person who operates or provides any telecommunication services in Puerto Rico shall be deemed to be personal property, and the external plant used for line

telecommunication and personal telecommunication services, including, but not limited to the poles, aerial and underground telecommunication lines, towers, antennas and the central offices used for line telecommunication services and personal telecommunication and the public telephones owned by any person who operates or provides any telecommunication service in Puerto Rico shall be deemed to be real property. The rights of way owned by a person engaged in telecommunication services shall not be deemed to be real property for the purposes of this Act and therefore, shall be exempted from the payment of the taxes levied by this Act.

Section 3.12. — Personal Property Partnership. (21 L.P.R.A. § 5062)

Partners in commercial firms and other businesses, whether they reside in the same place or in different places, shall jointly be subject to the payment of taxes under their trade name at the location where their businesses are established, for all personal property used in them, including all types of ships or vessels, boats and launches, except when these are exempt from taxes pursuant to Section 5.01 of this Act. In the event that the established partners have their businesses in two or more appraisal districts, they shall be subject to the payment of taxes in each of said locations or offices, in proportion to the property they have in each district. When several partners are thus jointly subject to the payment of taxes, each partner shall be responsible for the total payment thereof.

Section 3.13. — Personal property in the possession of an individual who is not the owner. (21 L.P.R.A. § 5063)

Personal property in the possession of merchants, representatives, agents authorized to sell, persons who deal or do business on commission, and persons who have in their possession personal property belonging to others, subject to the payment of property taxes, shall be appraised in the municipality where said property is located under the name of its true owner, except that in those cases in which the true owner of said property is domiciled outside Puerto Rico and has no representation or office in Puerto Rico, said property shall be appraised in the name of the person or entity in possession of said property. Personal property shown to have entered Puerto Rico from outside Puerto Rico for the purpose of being manufactured or assembled or worked on in any other way, shall be exempt from payment of property taxes if it is shown that once it is manufactured or assembled in any way, it is sent outside Puerto Rico. The Collection Center is hereby authorized to return the taxes collected on the merchandise referred to in this section, pursuant to the laws in effect on the matter, although without discretion, as soon as it is shown that the aforesaid has been sent outside Puerto Rico, as provided above.

Section 3.14. — Inventory of the manufacturer, the merchant or the dealer. (21 L.P.R.A. § 5064)

That part of the property of any manufacturer, merchant or dealer consisting of merchandise in stock or other items for sale shall be accounted for separately and appraised according to the annual average inventory value for the calendar year immediately preceding

to the appraisal date as it appears on the books of said manufacturer, merchant or dealer, should they keep an acceptable accounting system which clearly and exactly includes periodic inventories for said year. For appraisal purposes, the inventory appraisal method known as "LIFO" (last-in-first-out) is not an acceptable accounting method for the purposes of this Act. If the accounting system does not clearly and exactly reflect the periodic inventories during said year, or in the event that said manufacturer, merchant or dealer does not keep any accounting system whatsoever, the determination of the manufacturer's, merchant's or dealer's annual average inventory shall be made according to the method which clearly reflects its value and the value of the stock on the date of the appraisal for the computation of the tax as established by this Act, in which case, the annual average inventory value will represent the cost of replacement or reproduction for the dealer during the closest preceding year to the date of appraisal, but not its retail sale price. The above shall be subject to the non-limitation of the ways in which to clearly and exactly determine the taxpayer's average inventory.

Section 3.15. — Appraisal list, cards, and tax return forms. (21 L.P.R.A. § 5065)

The appraisal of real property, such as it appears on the tax list for the preceding fiscal year, shall constitute the appraisal list for the following fiscal year after it has been corrected, amended and revised, as provided herein. As soon as possible after the first of January of each year, the Collection Center must prepare a return or appraisal card, listing separately and in detail each real estate property and the improvements thereto taxable in the same municipality, belonging by the first of January to every person whose taxable assets had not been previously appraised, or that in the judgment of the Collection Center or its authorized agent should be appraised, or the appraisal of which should be revised pursuant to Section 3.08 of this Act, or the revision of which has been requested by the property owner, the municipal authorities of the district in which it is located, or any citizen of Puerto Rico in order to levy the corresponding tax. In those cases in which the same person owns taxable assets in more than one municipality, separate returns or cards shall be prepared for each municipality. In order to expedite any program or plan for appraisal revision, or for new property appraisal, after prior approval by the Governing Board of the Collection Center, the aforesaid may establish an appraisal return system through which the taxpayer will directly provide detailed information on the taxable property. To those ends, the Collection Center or its agent may deliver to any owner of taxable assets in its tax district or to any adult member of his/her family, or commercial establishment, the blank appraisal cards or returns in question, accompanied by the interrogatories it may deem necessary to ascertain the taxable assets and their value and it will require that this person issue the corresponding receipt for such a return or card, fill it out properly and return it within a term that shall not exceed ten (10) days. It shall be the duty of the person subject to taxation to provide on said return, form or interrogatory, a complete list and exact valuation of all taxable personal property that he/she owns in his/her own right, or that is in his/her possession, and deliver said returns, forms or interrogatories to the Collection Center or its agents, within the term indicated in Section 3.22 of this Act. Every partnership, trustee, or depositary, administrator, tutor or guardian, agent and every person who has any equitable legal title, who owns any property in his/her own right, or who has, or claims to have as his/her own, for any other circumstance,

any property that should be listed in said form, interrogatory, or return, shall be deemed to be subject to the provisions of this Act and shall be bound to complete and deliver said return, form or interrogatory as provided herein. Whenever two (2) or more persons have, own or occupy any property as administrators, executors, trustees or depositaries, or as trustees or agents, either of said persons may take the oath required by Section 3.20 of this Title and every return, form or interrogatory corresponding to the assets of a partnership must be sworn to by at least one member of said partnership. However, the Collection Center or its agent, shall in no way rely on the list of assets nor on the value fixed on the taxpayer's return; instead, it will proceed to appraise the real and effective property value in view of the reports thus acquired, or of the other data that it might be able to obtain, taking into consideration all the factors in matters of valuation or appraisal, including the market value, without taking into account a forced sale.

Section 3.16. — Property under litigation; deposited with government official; reputed to belong to the Commonwealth; owner unknown. (21 L.P.R.A. § 5066)

Property under litigation in which the Commonwealth of Puerto Rico is not a party shall be appraised as belonging to the person who is in possession of the aforesaid. Should the property be deposited in the hands of any employee of the administrative, judicial or municipal order, it shall be appraised as if belonging to said employee, who shall dispose of an amount of it enough to cover the payment of the taxes imposed thereon, unless said taxes are paid by some person who possesses, acquires or claims any right or title to it, or share in it, in which case, and in regard to the amount paid, said payment shall constitute a lien on the property and shall give the person who made it a prior claim over any other creditor, except the Commonwealth of Puerto Rico. All property generally known to belong to the Commonwealth of Puerto Rico, shall be appraised in the name of the usufructuary, if any, by said appraisal shall not diminish the right or title that the Commonwealth of Puerto Rico has on any other property of said usufructuary. If the owner or claimant of a property appraised in the name of another person is unknown, the appraiser will evaluate and appraise said property making an appropriate description of the aforesaid on behalf of "owner unknown."

Section 3.17. — Place of appraisal of personal property; on whose behalf shall it be appraised. (21 L.P.R.A. § 5067)

All personal property existing in Puerto Rico shall be assessed in the name of its respective owner, or of the person who, as provided in this Act, is liable for the tax in the municipality where he/she resides as of the first of January, except that the personal property such as articles, effects, merchandise and other stock, and the machinery used in certain branches of manufacturing or in any industry or business, including among said machinery that which has been leased and is being used through an agreement in which the payment of a fee is stipulated, equine and any other type of livestock, and any other personal property which is permanently located in a municipality, shall be assessed for the levying of taxes in the name of its respective owners or of the person who, as provided in this Act, is liable for the taxes of this Act in the municipality where such property is located. The shares of banks that do business in Puerto Rico shall be assessed and charged to their owners in the municipality in

which said banks are located, in the manner provided below, and the personal property consisting of telephone devices, special telephone equipment, tools and instruments, automobile repair equipment and any other personal property that although located in Puerto Rico, the municipality where they are located cannot be identified, and that are owned by a person who operates or provides any telecommunication services in Puerto Rico, shall be assessed and charged to their owners and the assessed valuation shall be distributed among the municipalities according to the formula provided below. Said distribution rule shall not apply to the personal property owned by a person who only operates or provides long distance intrastate and interstate telephone services in Puerto Rico.

Section 3.18. — Place of appraisal of real estate; in whose name it shall be appraised; mortgage deduction, etc. (21 L.P.R.A. § 5068)

All real property shall be assessed in the municipality in which it is located, to levy taxes on it in the name of the person who is the owner or is in possession thereof on the first day of January, except that the external plant used for line telecommunication and personal telecommunication services, including but not limited to, the poles, aerial and underground telecommunication lines, towers, antennas and the central offices used for line telecommunication and personal telecommunication services, as well as public telephones and any other real property although they are located in Puerto Rico, the municipality where they are located cannot be identified, and that are owned by a person who operates or provides any telecommunication services in Puerto Rico, shall be assessed and charged to their owner and the assessed valuation shall be distributed among the municipalities according to the formula provided below. Said distribution rule shall not apply to the external plant, central offices and any other real property used for long distance intrastate and interstate telecommunication services owned by a person who only operates or provides long distance intrastate and interstate telephone services. In case the property is registered in the Property Registry, the Collection Center shall assess the property in the name of the person under whose name it is registered in the Property Registry on date of the assessment, unless the Collection Center has knowledge that said person is not its true owner, in which case the Collection Center shall perform the assessment in the name of the true owner. If after the Collection Center has prepared and issued a receipt to the registered owner it is discovered that the true owner of said property on the date of the assessment is a different person or entity, the Collection Center is hereby authorized to cancel the incorrect receipt, perform a new assessment and prepare a new receipt in the name of the true owner. It is also authorized to cancel any real estate tax receipt upon the voluntary purchase or expropriation by the Government of the Commonwealth of Puerto Rico and its instrumentalities, or by the Government of the United States and its instrumentalities, after the first of January and before the first of July of any year. In this case, it shall issue new receipts in the name of the agency or public corporation should either be bound to pay property taxes, which shall be liable for its payment as if it had been levied from the first of January. Should the agency or public corporation be exempt from the levying and payment of taxes, no receipt whatsoever shall be issued. No deduction whatsoever shall be made on account of any debt secured by a mortgage, annuity contract, sales contract with repurchase clause, a contract or other obligation which said real property has been encumbered with, it being up to the mortgagee

or holder of the mortgage, annuity contract, sales contract with repurchase clause, contract or other obligation to fulfill the tax obligations on said property, which in that case, shall continue to be deemed and treated as interest in the property affected by them, and the mortgagee or annuitant shall continue to be subject to the payment of the corresponding taxes, and the value of the property affected by said liens, which shall be deducted therefrom, shall be what is taken into account to levy taxes on the owner thereof in the local municipal district in which the property is located; and the taxes so levied shall constitute a lien on the property and the collateral, which may be paid by any of the parties in said collateral, but should the owner of the property pay the same, said taxes shall constitute a payment on account of the debt and its amount, and shall be an acquittance thereof.

It is hereby provided that with regard to real property dedicated to a timeshare or vacation club regime, created under Act No. 252 of December 26, 1995 [31 L.P.R.A. §§ 1251 et seq.], the appraisal and service of tax liability shall be made as follows: (i) In cases in which a developer or a third party holds the title deed on real property dedicated to a timeshare or vacation club regime since what is subject to sale are either timeshare contractual rights or vacation rights of a personal nature on said real property, or rights of a personal nature with respect to lodgings located in the same, the property shall be appraised and the service of tax liability shall be made in the name of the developer or third party retaining said title; (ii) in those cases in which the developer sells special timeshare rights or real property vacation or lodging rights, the property shall be appraised in the name of each titleholder of timeshare or vacation rights on said real property or lodgings in proportion to his or her share of the time share facilities or vacation club plan, as stated in the deed to dedicate the real property to said regime. Notwithstanding the above, the service of tax liability shall be made totally by unit or apartment in the name of the managing entity of a timeshare or vacation club rights plan, as an agent representing the titleholders of timeshare rights or real estate vacation or lodging rights, in which case said managing entity shall have the duty to immediately inform each titleholder of their property tax obligations and shall collect such tax on behalf of the Collection Center of the common expenses pursuant to 1-104 of Act No. 252 of December 26, 1995, as amended. The managing entity shall remit the payment of the taxes thus collected to the Collection Center pursuant to the provisions of Section 3.41 of this Act. Once said managing entity collects the titleholder's tax of the common expenses, it shall be understood that the title holder has met his obligation and the managing entity shall be responsible for the payment of said tax to the Collection Center. However, the managing entity shall not answer to the Collection Center for taxes owed by the titleholder when said titleholder has not made the payment to the managing entity; (iii) the share in the real property that corresponds to special timeshare rights and real vacation or lodging rights, that have not been divided by units shall be appraised and the service of tax liability shall be made in the name of the developer; (iv) in those cases in which the term of a special timeshare or real estate vacation club regime expires, the participation corresponding to said right which reverts to the developer pursuant to the articles of incorporation of the timeshare or vacation club regime; the property shall be appraised and the service of tax liability shall be made in the name of the developer, as long as he holds the title deed on said rights, and (v) in those cases in which building subject to the timeshare or vacation club regime is established on property belonging to another party, the land shall be appraised in the name of the owner of the land and the building shall be appraised pursuant to the above rules.

Section 3.19. — Duty of the owner to declare unappraised assets; penalty. (21 L.P.R.A. § 5069)

It shall be the duty of every person who owns taxable assets pursuant to the laws of Puerto Rico which have not been appraised for the levy of taxes or which have not been appraised nor paid taxes during any fiscal year, to report such properties to the Collection Center. Any person who willfully fails to make the abovementioned report shall incur a misdemeanor, and upon conviction shall be sanctioned with a fine of five hundred dollars (\$500) or imprisonment for six (6) months, or both penalties, at the discretion of the court.

Section 3.20. — Taxpayer's Oath. (21 L.P.R.A. § 5070)

Any person subject to the payment of taxes pursuant to this Act, when presenting the appraisal list or return provided by Section 3.15 of this Title to said appraiser, shall present or sign an oath or affirmation in the following terms:

"Under oath or in affirmation _____, state that to the best of my knowledge and belief, the preceding statement contains a full, true and complete list of all the properties that I have or own (or that I own in partnership or that I have in my possession as depository, administrator, tutor or guardian of an insane person, or as an agent) in the Municipality of _____ and that all of said property has been described fully and equitably, and that its true value and condition has been declared, and than all questions asked regarding said property have been answered fully and truthfully; that in no case have I sought to induce said appraiser to err with respect to the quantity and quality of said assets; that have not, directly or indirectly, converted or changed any part of my property for another which is tax exempt, nor for securities of any type, for the purpose of evading their appraisal for the payment of taxes.

Signed and sworn [before] me on this _____ day of _____, 19 ____.

Appraiser"

Section 3.21. — Changes in the appraisal notification; appeal by the municipality. (21 L.P.R.A. § 5071)

Whenever the Collection Center makes a review of the appraisal of a taxpayer's property, or makes an appraisal of a taxpayer's property that has not been previously appraised, or makes any change in the list and appraisal form of the property presented by any taxpayer which form has been returned for such purposes, the Collection Center shall notify within thirty (30) calendar days its resolution in writing with a description of the appraised property to the Mayor of the municipality in which the same is located, and if several municipalities are involved, to the Mayor of each one of such municipalities. Provided, that the Collection Center shall not be bound to notify the increase in the appraised value of a property with

regard to the appraisal of the property as of January 1, 2009, January 1, 2010, and January 1, 2011, pursuant to the provisions of Section 3.01 of this Act. Said increase in the appraised value of the property shall appear in the notice of the tax levy issued by the Collection Center pursuant to Sections 3.26 and 3.27 of this Act.

Section 3.22. — Property omitted from the appraisal; penalties; void appraisals. (21 L.P.R.A. § 5072)

Whenever the Collection Center becomes aware that any real property subject to taxes has been omitted from the appraisal of the property of any taxpayer during any fiscal year or years, it shall be its duty to have it appraised immediately for the years that said property has not been appraised, and to add it to the tax list for said years, proceeding to the collection of the corresponding taxes as well as to the collection of the interest and penalties accrued for not having paid said taxes on time, which it shall do in the same way in which it collects the other taxes prescribed in this Act. However, if the appraisal and levy of taxes on said property has been omitted and its owner is not guilty of that omission, it shall be the duty of the Collection Center to fully condone the penalties thereon. In every case in which real property has been appraised, for one or several fiscal years, but the appraisal has been made in the name of a person other than the true owner or possessor of said property, or made in such a way as to be void, the Collection Center shall cancel said appraisal, remove it from the tax lists and withdraw and cancel the corresponding tax receipts, and shall then proceed to perform a new appraisal of said property and correct the tax lists accordingly, as well as to collect the still pending taxes corresponding to the aforementioned new appraisal, as provided in this section for the appraisal and collection of taxes on real property that has not been mistakenly appraised. Likewise, it shall be the duty of the Collection Center to condone interest, fines and penalties when the taxpayer has not been advised as to the appraisal and the tax levy.

Section 3.23. — Failing to complete and return the appraisal return; penalty. (21 L.P.R.A. § 5073)

Any person who willfully fails to complete and return the appraisal return form when required by an appraiser, within a period of ten (10) days after it has been delivered, shall incur a misdemeanor, and upon conviction shall be sanctioned with a fine of five hundred (500) dollars or imprisonment for six (6) months, or both penalties, at the discretion of the court.

Section 3.24. — Examination of witnesses upon declaring and valuating undeclared property. (21 L.P.R.A. § 5074)

When declaring or valuating the property of persons who have not presented a list of the aforesaid on the return in the cases and pursuant to the provisions of Sections 3.19 and 3.22 of this Title, the appraiser is authorized to examine any person whom he/she believes has knowledge as to the amount and value of said property, under oath or affirmance.

Section 3.25. — Taking the oath or affirmance. (21 L.P.R.A. § 5075)

The Collection Center and the appraiser and agents in charge of the appraisal are hereby authorized to take the oath or affirmance of any person or persons who declare and value their assets.

Section 3.26. — Remittance of returns to the Collection Center; tax levies; service thereof. (21 L.P.R.A. § 5076)

As the property appraisal or revision of the appraisal is being conducted as provided in this section, the Collection Center shall impose the corresponding tax, according to it. Once the tax has been levied the Collection Center shall be bound to give notice thereof to the public at the beginning of the fiscal year in at least one daily newspaper of general circulation in the Commonwealth of Puerto Rico within the term of ten (10) days following the date on which it remits the corresponding notices to the various Regional Centers and their authorized representatives. The Collection Center shall also mail a notice of the real property taxes to each taxpayer. At its discretion, the Collection Center may use additional means to give this notice to the public. No other notice of the tax levied shall be necessary, and with regard to the payment thereof, as provided in § 5091 of this title, the publishing of the notices provided herein, as provided herein, shall constitute ample notice of the tax levied with regard to each taxpayer. When in the course of the fiscal year, in isolated cases, new, additional or substitute statements are issued, which for any reason, other than those cases specified in § 5077 of this title, could not be issued at the beginning of the fiscal year, it shall be necessary to give public notice thereof in a daily newspaper of general circulation in the Commonwealth of Puerto Rico, and notify the taxpayer at the last address appearing in the records of the Collection Center. In these cases, publishing the notice and mailing the same to the last address of the taxpayer appearing in the records of the Collection Center, shall be sufficient notice of the tax levied.

Section 3.27. — Personal and Real Property; Changes in Appraisal and Notice. (21 L.P.R.A. § 5077)

When any change is made in the current appraisal of the property of any taxpayer or when the property of a taxpayer which has not been previously appraised is appraised, or when the taxpayer has requested the reappraisal of his/her property, the Collection Center or its authorized representative shall notify said taxpayer of the appraisal and the tax levied by mailing said notice by regular mail, addressed to the taxpayer at the last address appearing in the records of the Collection Center. This notice, together with its publication, shall constitute full notice to each taxpayer of the tax levied, and the taxpayer shall be bound to pay the tax in the manner and within the term provided in Section 3.41 of this Act. The taxpayer may challenge the tax thus levied and notified as provided in this Act; provided, that the Collection Center shall not be bound to notify the increase in the appraised value of a property with regard to the appraisal of the property as of January 1, 2009, January 1, 2010, and January 1, 2011, pursuant to the provisions of Section 3.01 of this Act. Said increase in

the appraised value of the property shall appear in the notice of the tax levy issued by the Collection Center pursuant to Sections 3.26 and 3.27 of this Act.

Section 3.28. — Record of Judicial Decisions. (21 L.P.R.A. § 5078)

In a book kept for such a purpose, the Collection Center shall record each case resolved by the Court of First Instance or by the Supreme Court of Puerto Rico regarding those cases it has reviewed, and each appraisal altered by said courts, as well as the date in which the change in the appraisal was ordered. The taxpayer whose property appraisal was altered or whose rights were affected by the final resolution of the above mentioned courts shall be notified of said resolution in writing, which shall also be recorded in said book.

Section 3.29. — Contents of the appraisal book. (21 L.P.R.A. § 5079)

The tax returns or lists referred to in the previous Sections shall constitute the appraisal book for the district to which they refer, according to which the tax prescribed by this Act shall be levied and collected; and it shall be presumed as definitely valid by every court, and shall not be altered nor rejected except to correct a manifest error. In each appraisal book corrected according to the decisions of said Court of First Instance or Supreme Court, the Collection Center shall endorse and sign a notation as evidence to the effect that said book is the appraisal book for the district to which it refers, and said appraisal book, endorsed as mentioned, shall constitute the appraisal of the property for tax purposes for the fiscal year beginning on the first of July.

Section 3.30. — Description of real properties; tax will constitute a lien; notice of sale. (21 L.P.R.A. § 5080)

It shall be the duty of the Collection Center, on verifying the appraisal or reviewing the existing one, to cause every farm or parcel of real property to be listed separately, and to record the appraised value of each, together with a description of the aforesaid and the information needed to identify its owner as far as it may be possible to obtain those reports. When the real property includes lands and improvements jointly, the appraised value of the lands shall be separated from the improvements. The tax levied for the current fiscal year and for the previous five (5) fiscal years on each farm or parcel of real estate property, as well as any [improvements] that exist on it or that are made afterwards shall constitute the first lien on said property which shall have priority over any other liens on said farm or parcel regardless of their nature, whether they rest upon it before or after the lien determined by the tax. Said encumbrance on each farm, parcel of land or real estate shall only answer for the taxes that encumber them and their improvements. Each notice of attachment for delinquent taxes, whether for personal or real property, shall produce the same effect as a judicial decision against all the seized property of the delinquent taxpayer, and every lien hereby created shall have the force and effect of a duly-executed seizure. In every case in which real property is seized and sold for the payment of taxes, the Collection Center shall notify the recording of said sale to all persons holding a mortgage or lien on said property stating in the

notice the date of sale, the sum of money for which the property was sold, and any other data deemed pertinent.

Section 3.31. — Corporations; appraisal of real property. (21 L.P.R.A. § 5081)

The real property belonging to institutions, corporations and companies incorporated pursuant to the laws of Puerto Rico, and all shares in said property and corporations, and joint stock companies not incorporated in Puerto Rico but engaged in the transaction of business in the Commonwealth, shall be appraised for taxable purposes in the appraisal district in which said real assets are located. Whenever the president, director or other head of any of these institutions, corporations or companies is thus notified, he/she shall provide for the appraiser of the district in which said corporation or company has or owns any real properties, or any shares in properties of this type, a list or true valuation of such real property or of the shares it has in such assets, and said list and valuation shall be accompanied by the sworn statement of said president, director or other head, which shall be the same as the oath or affirmation prescribed by Section 3.30 of this Title; thus attesting that the list and appraisal in question is true and complete and that it includes completely and equitably all real properties and all shares in real property he/she owns in said appraisal district, or which the aforesaid institution, corporation or company holds or owns. The appraiser shall value said property or shares therein, and send duplicate certificates of the aforesaid appraisal to the Collection Center and to said president, director or any other person who heads that institution, corporation or company. If the appraisal made by the president, director or other head has been increased by the appraiser, it shall have the right to review, which is presently granted to private individuals before the Court of First Instance.

The assessment made as of the first of January of the external plant used for line telecommunication services and personal cellular telephone telecommunication services, including but not limited to, the poles, aerial and underground telecommunication lines, towers, antennas and the central offices used for line telecommunication services and personal cellular telephone telecommunication services as well as public telephones and any other real property related to line telecommunication services and personal cellular telephone telecommunication services which, although located in Puerto Rico, the municipality where they are located cannot be identified, and that are owned by any person who operates or provides any line telecommunication services and personal cellular telephone telecommunication services in Puerto Rico, shall be distributed among the municipalities in the same proportion that as of that date: (A) The total number of voice channels installed in each municipality, maintains in relation to; (B) The total number of voice channels installed in all the municipalities.

The assessment made as of the first of January of the external plant used for personal beeper telecommunication services and the central offices used to provide such services in Puerto Rico, as well as any other real property related thereto, which although located in Puerto Rico, the municipality where they are located cannot be identified, and that are owned by any person who operates or provides any personal beeper telecommunication services in Puerto Rico, shall be distributed among the municipalities in the same proportion that as of that date: (A) The total number of personal beeper telecommunication frequencies that said person has installed in each municipality maintains in relation to; (B) the total number of

personal beeper telecommunication frequencies that said person has installed in all the municipalities.

Section 3.32. — Appraisal of personal property. (21 L.P.R.A. § 50)

The personal property of institutions, corporations and companies incorporated under the laws of Puerto Rico apart from banking institutions with issued stock, shall be appraised by the Collection Center as belonging to such institutions, corporations and companies as provided by this section. The present cash value of the capital of said corporations shall be fixed by the Collection Center pursuant to the sworn statements of the presidents, directors or any other officials at the head of such corporations, as required by § 5083 of this title, or on the basis of any other trustworthy report that the Collection Center has or acquires, and in no case shall the present cash value be less than the value of the capital and bonds, plus the surplus and undivided earnings of said institutions, corporations and companies; nor shall it be less than the market value of the real estate and personal property of said institutions, corporations and companies, and said personal property shall include all rights, franchises and concessions.

The total value of the real property of said corporations which is the product of the appraisal verified according to the provisions of Section of 3.31 of this Title, shall be deducted from the appraisal obtained in this manner; and the rest shall be deemed to represent the personal property of said corporations that will be taxed.

In the case of banks or financial institutions with issued stock incorporated under the laws of Puerto Rico, the tax on personal property shall be levied on the total market value of the assets and personal property belonging to said institutions. The personal property of banking institutions consisting of cash accounts shall be appraised on the basis of the average monthly balance of each account as revealed in the institution's accounting books kept during the calendar year prior to the appraisal date. The term cash account shall be understood to mean all the accounts covered under the cash concept without including the balances of the accounts deposited in other financial institutions.

The assessment made as of the first of January, of telephone devices, tools and instruments, automobile repair equipment and any other personal property related to the line telecommunication service by personal cellular telephone telecommunication service which, although located in Puerto Rico, the municipality where they are located cannot be identified, and that are owned by any person who operates or provides any line telecommunication services and personal cellular telephone telecommunication services in Puerto Rico, shall be distributed among the municipalities in the same proportion that, to that date: (A) The total number of voice channels that said person has installed in each municipality maintains in relation to; (B) the total number of voice channels that said person has installed in all the municipalities.

The assessment made as of the first of January, of telephone devices, tools and instruments, automobile repair equipment and any other personal property related to personal telecommunication services, that although located in Puerto Rico, the municipality where they are located cannot be identified, and that are owned by any person who operates or provides any line telecommunication service and personal cellular telecommunication service in Puerto Rico, shall be distributed among the municipalities in the same proportion that, as

of that date: (A) The total number of frequencies for personal beeper telecommunications that said person has installed in each municipality, maintains in relation to; (B) the total number of frequencies for personal beeper telecommunications that said person has installed in all the municipalities.

Section 3.33. — Corporations not incorporated in Puerto Rico. (21 L.P.R.A. § 5084)

The appraisal of the property of every corporation that has not been incorporated in Puerto Rico but is engaged in the transaction of business in the Commonwealth, other than banks and banking institutions with capital shares, shall be made in the manner provided by this Act for the appraisal of the property of institutions, corporations and companies incorporated pursuant to the laws of Puerto Rico. In order to determine the real and the cash value, as per the capital ratio of said corporations, only that part of the capital that they have employed in the transaction of business in Puerto Rico shall be considered and valued; but said amount of capital will in no case be less than the value of the real and personal property located in Puerto Rico belonging to such corporations or companies, including as personal property all franchises or concessions granted to said corporations or companies pursuant to the laws of Puerto Rico. All obligations imposed on the institutions, corporations or companies incorporated pursuant to the laws of Puerto Rico, or indicated to their officials, regarding the completion and filing of returns under a sworn statement or otherwise, shall also include the corporations that have not been incorporated in Puerto Rico and their officials.

In the case of banks or financial institutions with capital shares not incorporated in Puerto Rico, the personal property tax shall be levied on the market value amount of the assets and personal property belonging to said institutions.

The personal property of banking institutions consisting of cash accounts shall be appraised on the basis of the average monthly balance reflected by each account on the institution's accounting books kept during the calendar year prior to the date of appraisal. The term "cash accounts" shall be construed to mean all accounts deposited in other financial institutions.

All obligations imposed on institutions, corporations and companies, including banks incorporated pursuant to the laws of Puerto Rico, or their officials, regarding the completion and filing of returns, the presentation of statements under oath or otherwise, shall apply equally to the banks described in this section and their officials.

Section 3.34. — Corporations not incorporated in Puerto Rico. (21 L.P.R.A. § 50)

The appraisal of the property of every corporation that has not been incorporated in Puerto Rico but is engaged in the transaction of business in the Commonwealth, other than banks and banking institutions with capital shares, shall be made in the manner provided by this Act for the appraisal of the property of institutions, corporations and companies incorporated pursuant to the laws of Puerto Rico. In order to determine the real and the cash value, as per the capital ratio of said corporations, only that part of the capital that they have employed in the transaction of business in Puerto Rico shall be considered and valued; but said amount of capital will in no case be less than the value of the real and personal property located in Puerto Rico belonging to such corporations or companies, including as personal property all franchises or concessions granted to said corporations or companies pursuant to the laws of

Puerto Rico. All obligations imposed on the institutions, corporations or companies incorporated pursuant to the laws of Puerto Rico, or indicated to their officials, regarding the completion and filing of returns under a sworn statement or otherwise, shall also include the corporations that have not been incorporated in Puerto Rico and their officials.

In the case of banks or financial institutions with capital shares not incorporated in Puerto Rico, the personal property tax shall be levied on the market value amount of the assets and personal property belonging to said institutions.

The personal property of banking institutions consisting of cash accounts shall be appraised on the basis of the average monthly balance reflected by each account on the institution's accounting books kept during the calendar year prior to the date of appraisal. The term "cash accounts" shall be construed to mean all accounts deposited in other financial institutions.

All obligations imposed on institutions, corporations and companies, including banks incorporated pursuant to the laws of Puerto Rico, or their officials, regarding the completion and filing of returns, the presentation of statements under oath or otherwise, shall apply equally to the banks described in this section and their officials.

Section 3.35. — Payment of taxes on capital shares. (21 L.P.R.A. § 5085)

The Commonwealth and municipal taxes levied on the shares, the capital and the property of institutions, corporations and companies included in the prescriptions of this Act and on the stock of banks established in Puerto Rico, shall be paid at the offices of the Collection Center or its authorized representatives, who, according to law, shall deposit the corresponding part of said overdue taxes in the Government Development Bank for Puerto Rico for the corresponding distribution to the Commonwealth and the Municipalities. Said institutions, corporations, and companies are hereby authorized to retain the taxes corresponding to capital shares, from the earnings or dividends derived in favor of the stockholders, or to cancel a portion of said shares sufficient to pay said taxes. The Commonwealth and municipal taxes levied on said institutions, corporations and companies shall be accrued in semiannual installments and all penalties for nonpayment, subject to seizure, attachment and sale of property prescribed below, shall apply to said institutions, corporations and companies as it applies to private individuals.

Section 3.36. — Penalties. (21 L.P.R.A. § 5086)

(a) *Fraudulent returns* — Every person, agent or official or any institution, corporation or company that provides or furnishes a fraudulent list, return or report as required by this Act, shall incur a felony and, upon conviction, shall be sanctioned with a fine of three thousand (3,000) dollars or imprisonment for three (3) years, or both penalties, at the discretion of the court.

(b) *Refusal to take an oath or make a statement* — Every person, agent or official of any institution, corporation or company who intentionally omits, or refuses to take an oath and sign any of the oaths, sworn statements or affirmations required by this Act, or that without just cause refuses to answer any interrogatory that the Collection Center, its representative or appraiser submits to it, shall incur a misdemeanor and, upon conviction, shall be sanctioned

with a fine of three hundred and fifty dollars (\$350) or imprisonment for three (3) months, or both penalties, at the discretion of the court.

(c) *Failure of the appraiser to obtain an oath* — Every appraiser or authorized representative of the Collection Center who intentionally, or without just cause, omits or neglects to obtain any oath, affirmation or statement as prescribed by this Act, from any person whose property has been appraised by him/her, shall be fined and will pay to the Commonwealth of Puerto Rico the sum of five hundred dollars (\$500) for each similar case of omission and wilful or unjustified neglect, and said sum shall be withheld from the salary or remuneration of said appraiser or representative, and the Collection Center shall account for the money thus retained subject to the law. If any public employee, appraiser or authorized representative of the Collection Center intentionally or without just cause, fails to perform the duties of his/her office, or venially receives any fee, compensation, emolument, perquisite or favor, with the purpose of influencing his/her conduct or the performance of the duties of his/her office, with regard to this Act, shall incur a felony and upon conviction shall be sanctioned with a fine of five thousand dollars (\$5,000) or imprisonment for five (5) years, or both penalties, at the discretion of the court. In addition, the cases contemplated in this subsection shall require that the public employee who was responsible for or had any participation in the aforesaid, be dismissed from office.

Section 3.37. — Transfer of property; apportionment of the tax and encumbrance thereof upon partition. (21 L.P.R.A. § 5087)

No change in the appraisal of any property shall be made during any fiscal year either because it has been ceded or because of any other transfer whatsoever; except that in cases in which real properties are divided by a sale, by a request for partition, or for any other reason after the tax corresponding to said properties has been fixed, and the division has been duly registered at the Property Registry, the Collection Center or its authorized representative, at any time before said real properties are sold so as to pay taxes upon the written request of the owners of any portion of the aforesaid, shall make the corresponding division and shall fix the fees, costs and interest accrued on the respective parcels or portions according to the value of each, and only that part of said taxes, interest and costs adjudicated to each portion shall continue to constitute a lien thereon, and its owner shall answer only for the payment of the tax corresponding to the portion that he/she owns in whole or in part. The Collection Center or its authorized representative shall mail a notice of the request for said division to all those having an interest in said property whose address is known. Every person affected by the Collection Center in its act of making such a division may request a review before the Court of First Instance within thirty (30) days following said notice after complying with the provisions of Section 3.47 of Act No. 83 of August 30, 1991. In all cases in which the ownership of the property has been transferred after the receipt for the taxes levied on said property has been issued and delivered to the collector or authorized representative for its collection, or had it been made prior to this but without the Collection Center having received notice of the transfer in time to issue the tax receipt in the name of the new owner, the taxes will be paid in the name of the person who appears on the tax receipt; but the new owner may pay the taxes stated in the tax notice and demand that the internal revenue collector or

authorized representative make a note on the back of the receipt certifying that said taxes were paid by him/her.

Section 3.38. — Property transfer record. (21 L.P.R.A. § 5088)

Every deed of transfer of real property or of a share thereof, and every mortgage or other collateral of debt secured by real property which is presented before the Property Registry shall be set aside and specially registered by the corresponding Property Registrar in a special transfer book which shall be made available by the Collection Center, and this book shall include the date of transfer, the real estate registry number of the transferred property, the name and address of the person to whom the property has been transferred, the name and address of the person under whose name said real properties, the shares therein, or the debt secured by the real property were appraised and on whom the payment of the tax was levied, and a reference to the registrar's files or registry in which said property is most thoroughly described. Said transfer books or copies shall be sent to the Collection Center at its request and they shall be available for inspection by the Secretary of the Treasury.

Section 3.39. — Computation of the taxes; entry in the Registries. (21 L.P.R.A. § 5089)

The Collection Center shall compute the sum of the Commonwealth and municipal taxes owed by any such person on the basis of the valuation of the property through its appraisal. Said amount shall be entered in the proper registries, indicating the name of the taxpayer, his/her account number, the property coding, and the description of the property subject to the payment of taxes. In due time the Collection Center shall deliver the necessary receipts or tax lists to the respective collectors or authorized representatives and will charge their total amount to the account of said collectors or authorized representatives. The possession of said receipts or tax lists pertaining to delinquent taxes owed by any property shall be sufficient authorization for the collector or authorized representative to proceed to collect said taxes, and for the seizure, attachment and sale of the debtor's real and personal property as provided by Section 4.01 of this Act, should said taxes be not paid up within the term determined by Section 3.42 of Title.

Section 3.40. — Taxes - Collection districts; authorized representatives; bonds. (21 L.P.R.A. § 5090)

The Collection Center is hereby authorized to create the number of collection districts needed to collect taxes levied by this Act, and any other taxes delegated to it, as well as to perform any of the duties authorized for such a purpose; and to delegate their collection in each one of the districts to the authorized representative, who shall post a bond before the Secretary of the Treasury in favor of the Commonwealth of Puerto Rico in the amount that the Secretary of the Treasury determines and as provided in the Municipal Revenue Collection Center Act [21 L.P.R.A. §§ 5801 et seq.]. Said bond shall be approved by the Secretary of the Treasury regarding its form and execution as well as its sufficiency. Said bond shall be posted to cover the liability of said authorized representatives for the monies that they collect and receive on account of said taxes.

Section 3.41. — Date for the payment of taxes, penalty for delay. (21 L.P.R.A. § 5091)

Cases in which taxes may be collected before falling due the tax levied on the value of real property shall be payable in advance every semester to the Collection Center or its authorized representative on the first of July and January of each year. Said tax shall become overdue if not paid within ninety (90) days after its due date, and the collectors or authorized representatives shall also collect, in addition to said overdue tax and as a part thereof, the following surcharges and interest:

(a) A five percent (5%) surcharge on the total tax when payment is made after thirty (30) days from the date the tax should have been paid and without exceeding sixty (60) days.

Ten percent (10%) of the total tax when payment is made after sixty (60) days from the date the tax should have been paid.

(b) Interest on the total tax computed at a rate of ten percent (10%) per annum from the date fixed for payment.

Said additional sum shall be collected together with the principal of the tax that originates it, as well as the legal costs, if any. When the collectors or authorized representatives do not have the tax receipts in their possession by the first of July of each year, the stated term of ninety (90) days shall then be counted as of the date the receipts are in his/her possession and it is so announced. The part of the receipt corresponding to the second semester shall neither be collected nor paid if the amount for the first semester has not already been paid, and in case any taxpayer is found to owe taxes on the same property corresponding to more than one fiscal year and he/she wishes to pay a part thereof, said payment shall be applied by the collector or authorized representative to the taxes corresponding to prior years by strict date of expiration. When the property has been passed on to a third person, this order of payment shall apply to the taxes that said third person would be bound to pay on such a property. This provision shall not be interpreted in any way in the sense of it repealing, limiting or modifying any of the provisions of the laws by virtue of which the property tax payment has been deferred. Whenever the Collection Center believes that the collection of any property taxes will be compromised by a delay, or finds that the taxpayer intends to remove his/her properties from the Commonwealth or conceal his/her properties in Puerto Rico, or perform any act tending to impair or totally or partially annul collection of property taxes corresponding to any fiscal year, it shall immediately proceed to levy the taxes and issue the receipts based on the appraisal existing on January the 1st immediately prior to the fiscal year to which the taxes correspond, based on the tax rate in effect on said January 1st, if the fiscal year to which the taxes correspond has not commenced. As soon as such taxes have been levied and the corresponding receipts issued, they shall be payable on demand and the Collection Center, through its agents, shall immediately proceed to attach the taxpayer's real and personal property in an amount sufficient to comply with the payment of the taxes levied and shall immediately notify the taxpayer does not wholly or partially agree with the taxes thus levied, he/she may request their review before the Court of First Instance in the manner, within the term and after compliance with the requirements provided in Section 3.47 of this Act.

Should the taxpayer not request a revision of the taxes levied, as provided by law, the Collection Center shall proceed as soon as possible with the sale at public auction of the

assets attached for the collection of taxes, including fees and legal costs, and interest and surcharges, after the thirty-first day from the date of notice. The sale shall be conducted as prescribed in Sections 4.03 and 4.05 of this Act.

When the tax rate on the basis of which the tax would have been levied is greater than that used by the Collection Center to compute the taxes, the taxpayer shall be liable for the payment of the resulting difference and the Collection Center shall proceed according to law to collect said resulting tax. If, on the other hand, the tax rate is less than that used by the Collection Center to compute the taxes, then said official will reimburse the taxpayer or credit him/her with the amount collected in excess. The Collection Center is authorized to promulgate those rules not incompatible with the provisions of this section that it believes are necessary to execute its purposes.

Section 3.42. — Extension of time; payment plan; interest. (21 L.P.R.A. § 5092)

If a taxpayer is undergoing gravely adverse financial circumstances that in the judgment of the Collection Center constitute an undue setback, and provided that the taxpayer request an extension prior to the date the real property tax becomes overdue, this official is authorized to extend the time of payment without imposing surcharges, by granting a payment plan for a term that shall not exceed eighteen (18) months and, in exceptional cases, for an additional period that shall not exceed twelve (12) months. If an extension of time is granted, the Collection Center may require the taxpayer to post a bond for an amount not greater than double the unpaid total of the tax and with those guarantors that in the judgment of the Collection Center are necessary to secure payment of the deficiency according to the terms of the extension of time. Interest shall be collected at a rate of ten percent (10%) per annum in every extension of time granted by this section.

When a bond is not required and the taxpayer fails to meet the terms of the payment plan, he/she shall also be bound to pay the surcharges prescribed by law as of the moment he/she ceases to meet said terms.

Section 3.43. —Discounts. (21 L.P.R.A. § 5093)

The following discounts shall be allowed on the biannual amount of the property tax corresponding to the 1992-93 fiscal year if the payment is made in the proper manner and within the corresponding term.

(a) Ten percent (10%) of the total for the semester if the payment is made within thirty (30) days from the date the receipt is in the possession of the collector or the authorized representative and it is so announced.

(b) Five percent (5%) of the total for the semester if the payment is made after thirty (30) days, but does not exceed sixty (60) days.

Section 3.44. — Property that secures a loan. (21 L.P.R.A. § 5094)

In all those cases in which real or personal property secures a loan and the taxpayer is bound to periodically deposit the taxes to be paid on that property with the creditor, the creditor must pay in full said taxes within the shortest term the accrued amount allows and

thus obtain the highest discount possible for the benefit of the taxpayer, or he/she shall be liable to him/her for a sum equal to three (3) times the discount that he/she failed to obtain.

Section 3.45. — Properties of bankrupt or deceased persons; preference of taxes owed other debts. (21 L.P.R.A. § 5095)

Upon liquidation the assets of bankrupt or deceased persons, the taxes owed by said properties shall have preference over any other type of debt. No executor or administrator of the assets of a deceased person shall divide or [distribute] said properties until after all the taxes due have been paid, and no Registrar shall record any document of adjudication or participation of the property of any deceased person whose current taxes have not been paid; and the administrators, executors or Property Registrars who violate this section shall be liable to the Commonwealth of Puerto Rico for all the taxes not collected due to said violation. It shall be the duty of the depositary or other person in charge, or trustee of the property of any bankrupt or insolvent person, to pay the taxes due on said property up to the limit of the value of such assets. No bankrupt person shall be acquitted and no trustee or similar person in charge shall be exempt from his/her obligation nor shall he/she receive any remuneration or commission until said taxes have been duly paid.

Section 3.46. — Payment of taxes by the owner of the lien, by the tenant or by the leaseholder. (21 L.P.R.A. § 5096)

Any person who holds a lien over another's property may pay the taxes and surcharges imposed on said property at any time after they have become due and not been paid, and said taxes and surcharges shall be added to the lien and shall be reimbursed at the interest rate specified in the document that constitutes the lien. A tenant or leaseholder of the real property may pay the taxes and surcharges imposed on said real property any time after they have expired without having been paid, and deduct the amount paid him/her from the rent.

Section 3.47. — Tax payment requirement shall not be necessary; payment method. (21 L.P.R.A. § 5098)

It shall not be necessary to require the payment of real or personal property taxes once its imposition has been notified in the manner provided by this Act. Every person obliged to pay the same shall go to the Municipal Revenue Collection Center or its authorized representative to pay the amount, or instead, shall remit the payment by mail.

Section 3.48. — Administrative review procedure and judicial challenge of real property tax. (21 L.P.R.A. § 5098a)

(a) Administrative review —

If the taxpayer contests the tax-levying notice issued by the Center pursuant to Sections 3.26 and 3.27 of this Act, he/she may request an administrative review, stating, in writing, the reasons for contesting it, the estimated correct amount, and include, if necessary, the corresponding evidence or documents, within the term of thirty (30) calendar days, from the

stamped mailing date of the notice provided 3.26 and 3.27 of this Act; provided, that within said term the taxpayer:

(1) Pays to the Collection Center the part of the tax he/she is not contesting, and forty percent (40%) of the part of the tax he is contesting.

(2) Pays to the Collection Center the total tax levied.

The taxpayer who requests an administrative review, as provided herein, shall not be eligible for the prompt payment discount provided in Section 3.43 of this Act, except when he/she pays the total tax levied, within the terms prescribed by law, in order to be entitled to the discount.

The Center shall issue its decision within a term of sixty (60) days from the date of filing of the petition for administrative review by the taxpayer. If the Center does not answer within said term, it shall be understood that the tax estimate notified to the taxpayer is ratified. When the decision of the Center is adverse to the taxpayer, the taxpayer shall be bound to pay the part of the tax pending payment, plus the corresponding interest and surcharges, computed from the date the decision was notified. When the decision is favorable, the Center shall be bound to reimburse the taxpayer the part of the tax charged in excess, plus the corresponding interest from the date of payment of the revised tax.

The administrative review procedure must be completed as a prior requirement for a taxpayer who takes exception to the decision on the tax levied that he/she does not agree with, as provided in subsection (b) of this section.

(b) Judicial challenge —

If the taxpayer takes exception to the tax-levying notice issued by the Center, pursuant to 3.26 and 3.27 of this Act, and subsection (a) of this section, he/she may contest the same before the Court of First Instance within the term of thirty (30) calendar days, from the stamped mailing date of the notice provided 3.26 and 3.27 of this Act; provided, that the taxpayer, within the states term:

(1) Pays the part of the tax he/she agrees with, and forty percent (40%) of the tax he/she does not agree with, at the Collection Center, or

(2) pays the total sum of the tax levied, at the Collection Center.

The filing of the exception, as well as the payment of the tax levied, whether fully or of the part agreed with, as well as the payment of forty percent (40%) of the part of the tax to which he/she takes exception to, within the term provided, shall be deemed jurisdictional, in nature.

If the decision of the Court of First Instance is adverse to the taxpayer, said decision shall provide that the tax except to or the part thereof deemed as correctly levied, shall be paid along with the corresponding interest and surcharges from the date the decision is served. If the decision of the court is favorable to the taxpayer, and he/she has paid the tax excepted to on or after the date established in this section, said decision shall provide that said tax payer be reimbursed the tax or the part thereof deemed by the court as charged in excess, plus the corresponding legal interest, computed from the date of payment of the objected tax.

The taxpayer who wishes to object to the tax levied, as provided in this section, shall not opt for the discount for prompt payment discount provided in Section 3.43 of this Act, unless he/she pays the total tax levied and excepted within the terms prescribed by law, to be entitled to the discount.

Section 3.49. — Transitory provisions; actions pending resolution. (21 L.P.R.A. § 5098b)

Every action, procedure or claim related to any property tax appraisal and levy pending before the Collection Center or before any court as of the date of approval of this Act, shall continue its process until a final determination is issued pursuant to the provisions of law and the regulations in effect on the date such actions, procedures or claims are filed.

Section 3.49. — Final agreements. (21 L.P.R.A. § 5099)

Collection Center is hereby empowered to execute a written agreement with any person with regard to the liability of said person or of the person on behalf of whom said person is acting with regard to the assessed and outstanding real property taxes levied by this subtitle corresponding to any taxable year, provided the tax has been previously notified and is due, together with its respective interest, surcharges and penalties.

In the absence of fraud or mathematical error, the findings of fact and the decision of the Collection Center on the merits of any claim made or authorized by this subtitle shall not be subject to review by any other administrative official, employee or agent of the Commonwealth of Puerto Rico. In the absence of fraud or mathematical error, the granting of interest by the Collection Center on any credit or reimbursement under this subtitle shall not be subject to review by any other administrative official, employee or agent of the Commonwealth of Puerto Rico. The case shall not be reopened with regard to the matters agreed to, nor shall the agreement be modified by any administrative official, employee or agent of the Commonwealth of Puerto Rico, and said agreement, or any determination, assessment, collection, payment, reduction or reimbursement pursuant thereto, shall not be annulled, modified, rendered ineffective or ignored in any litigation, action or procedure.

Section 3.50. — Payment commitment. (21 L.P.R.A. § 5099a)

The Center is hereby empowered to execute written payment commitments whereby it commits itself to render ineffective any assessed taxes and additions thereto including civil and criminal penalties which may be applicable to a case with regard to any real property tax levied by law.

(1) General requirements. Any payment commitment made pursuant to the provisions of this subsection, shall be authorized by the Executive Director or his/her authorized representative, who must justify the reason for granting the payment agreement and provide the following information in the case file:

- (a) Amount of assessed tax.
- (b) Amount of interest, surcharges and penalties accrued on the taxes levied by law.
- (c) Actual amount to be paid, according to the terms of the payment commitment.
- (d) Analysis of the taxpayer's financial situation showing his/her capacity to the amount established in the payment commitment.
- (e) Any other document or evidence required by the Executive Director under the rules and regulations to be prescribed by the Board.

(2) In the absence of resources. The Executive Director, through his/her authorized representative, must evaluate and determine whether the payment commitment is the most adequate method for collecting, if the taxpayer does not have sufficient resources for the payment of the assessed tax, in order to ensure the collection of said tax.

When executing payment commitments where a portion thereof affects the General Fund or the Commonwealth Redemption Fund, the consent of the Secretary of the Treasury must be obtained.

Section 3.51. — Additional penalties. (21 L.P.R.A. § 5099b)

Any person who with regard to any final agreement or payment commitment, intentionally conceals from any official, employee or representative of the Collection Center, any real property belonging to the taxpayer or to another person liable for the tax; or who receives, destroys, mutilates or forges any books, documents or evidence, or makes any false statement under oath with regard to the taxpayer property or with regard the taxes on said property, shall incur a felony and upon conviction shall be sanctioned with a fine of five thousand (5,000) dollars or a term of imprisonment of five (5) years, or both penalties in the discretion of the Court.

TITLE IV. — ATTACHMENT, SALE AND REDEMPTION OF PROPERTY. [21 L.P.R.A., Subtitle 7, Chapter 245]

Section 4.01 — Attachment and sale of debtor's assets. (21 L.P.R.A. § 5101)

Should any person fail or refuse to pay the property taxes within the terms established in this Act, the Collection Center or its authorized representative will proceed to collect the overdue taxes through an attachment and sale of the property of said debtor in the manner prescribed below.

Every debtor whose assets have been attached for the collection of taxes may appeal before the Court of First Instance within the term fixed in the notice of attachment and obtain the cancellation of the attachment unless the Collection Center proves it had sufficient legal grounds to perform the attachment at the hearing set by the court to that effect.

If no real property or real rights belonging to the debtor are found on which a preventive embargo can be recorded in order to ensure the payment of the tax, the Collection Center will require the person who holds any property, property rights, credits or money payable to the taxpayer, including salaries or bank deposits belonging to or payable to the taxpayer, not exempted from attachment, to withhold from such assets or rights the amounts informed to him/her by the Collection Center in order to cover the unpaid tax debt prior to filing the corresponding legal action and pursuant to the legal provisions in effect.

The notice and requirement made by the Collection Center to the person in possession of the assets, properties or any obligation to pay the taxpayer sums of money for whatever reason, excluding salaries, shall constitute a prior lien on such assets or rights that the depositary is bound to retain until the Collection Center is paid what it is owed. Any depositary who disposes of or allows such assets or rights to be disposed of shall be bound to

pay the total amount of the value of the assets. He/She shall also be bound to pay a special penalty amounting to fifty percent (50%) of the unpaid tax. The amount of such a special penalty may not be credited towards the payment of the tax debt. The person withholding such assets, rights or properties shall not incur any obligation with an order to that effect from the Collection Center.

Notwithstanding the above provisions, the Collection Center may postpone the sale of real property which is subject to such a procedure due to a tax debt belonging to elderly taxpayers or to those who are stricken by any illness which is terminal or permanently disabling, and who produce a medical certificate to that effect, and under the following circumstances:

- (a) Should it be the only real property and permanent dwelling of the taxpayer, and
- (b) should the taxpayer not have enough assets or income to pay the total tax debt, nor should it be possible for him/her to avail him/her of a payment plan.

This provision shall neither apply to the heirs nor to the taxpayer once the illness or condition for which the sale of the property in question was postponed has ceased.

The term established in Section 144 of the Mortgage and Property Registration Act of 1979, as amended for the cancellation of the filings of writs of attachment for taxes shall be suspended until the death of the taxpayer or until the condition that caused the postponement of the sale of the real property has ceased.

The Collection Center shall adopt the necessary rules and regulations to postpone the sale of the real property of the debtor in the cases provided in the preceding paragraph of this section, including the definition of the term "elderly" and the criteria to determine whether a taxpayer does not have sufficient assets or income for the total payment or for a payment plan, pursuant to the experience of the Collection Center and the procedures and terms for requesting and decreeing the postponement of the sale of a property due to the previously established conditions.

Section 4.02. — Procedure for the attachment of real and personal property. (21 L.P.R.A. § 5102)

Immediately after the expiration of the terms granted by § 5091 of this title, the Collection Center or its representative shall issue a written notice of attachment which shall include the taxpayer's total debt and shall proceed to attach the delinquent debtor's property. Said notice shall state the total taxes due and unpaid, the interest and surcharges indicated by said § 5091 of this title, and the total fees for the person who duns for payment as provided below. The Collection Center shall notify the debtor by delivering a copy of the notice to him/her and warning him/her that if he/she does not pay the taxes within the thirty (30) day term from the date of the notice, the attached property, or that part of it which is strictly sufficient to cover the amount of the debt, shall be sold at public auction as soon as possible after said term without further notice. If any debtor, or any of his/her relatives or dependents, refuses to deliver the attached property to the collector or agent when required to do so, once the above mentioned thirty (30) day term has expired, or if after the attachment has been executed, sells, conceals, destroys, transfers, cedes or alienates said property in any way with the purpose of voiding the attachment or evading the payment of taxes, he/she shall be sanctioned with a fine of three thousand dollars (\$3,000) or imprisonment for three (3) years, or both penalties, at the discretion of the court. Said attachment shall be executed as soon as a

copy of the notice has been served to the debtor or to any member of his/her family in charge of said property. Should the collector or agent not find the debtor or any member of his/her family who is in charge of said property, the collector or agent shall serve the notice of the embargo on the debtor by certified mail with acknowledgment of receipt to the address which appear on or can be ascertained from the documents or records of the Collection Center, and the act of serving the attachment in the manner stated above shall be prima facie evidence that said delinquent taxpayer was notified of the attachment; and notice given in any such manner shall be as valid and effective as if the debtor had personally received it. As soon as the attachment is processed in the manner indicated above, the Collection Center or its representative is authorized to seize the attached property or close the business or location should it believe that to be necessary. When serving said attachment, the Collection Center or its representative is hereby authorized to enter the debtor's home or dwelling, if necessary, and said debtor should consent and in the event that the consent in question should not be given, an order of execution authorizing the entrance to the dwelling or domicile of the debtor shall be requested from a court of justice with the exclusive purpose of enforcing said ruling. If after the order of execution has been served, any debtor, his/her relatives or dependents, should present any resistance to any official, employee or representative of the Collection Center under said circumstances, he/she shall incur a misdemeanor and upon conviction shall be sanctioned with a fine of two hundred dollars (\$200) or imprisonment for three (3) months, or both penalties, at the discretion of the court. It shall be the duty of the police authorities or their agents to give the Collection Center or its representative all the necessary assistance for the proper compliance of its duties as required by this Act. As soon as an attachment is served, the attached property may be deposited in the possession of any person who is bound to hold it at the disposal of the Collection Center until the debtor pays the taxes or the sale is executed at public auction; and if any depositary of attached properties should dispose of them, he/she shall incur a felony and upon conviction, he/she shall be sanctioned with a fine of three thousand dollars (\$3,000) or imprisonment for three (3) years, or both penalties, at the discretion of the court. When the attachment of the personal property or the notice to the debtor, his/her relatives or dependents is executed in the manner provided by this Act, the Collection Center or its representative may collect, in addition to the taxes, interest, surcharges and penalties, an amount sufficient to cover the cost of the custody and the care and keeping of the attached property together with the fees in an amount equal to ten percent (10%) of the total tax excluding surcharges. Said amount shall be paid to the person who served the notice thereof, or it will be deposited to the account of the Collection Center if the service was executed by the Collection Center or its authorized representative.

Section 4.03. — Sale of personal property for the payment of taxes; exemptions. (21 L.P.R.A. § 5103)

The sale of personal property for the payment of taxes shall be done at public auction and if some parts could be separated or split from others, only the amount or part of said attachable personal property that is strictly necessary for the payment of all taxes, interest, penalties and costs shall be sold. It shall be understood that the above condition has been met with the amount of said attachable personal property whose appraised value is sufficient to cover, with the adjudication price at a third auction, the probable total tax debt and its interest,

surcharges, penalties and costs, in said third auction. Prior to the start of the personal property sale at public auction, the Collection Center or its representative will proceed to appraise the aforesaid. The sale of the personal property shall be done at a public auction not to be held before thirty (30) nor after sixty (60) days after the attachment has been executed, fixing as the minimum adjudication rate for the first auction seventy-five percent (75%) of the appraised amount set by the Collection Center. Should the first auction not produce competitive bidding or an adjudication, a minimum of sixty percent (60%) of the appraisal value set by the Collection Center for said properties will serve as the minimum rate for the second auction held. Should the second auction not produce competitive bidding or an adjudication and should it be necessary to hold a third or other successive auctions, fifty percent (50%) of the value of the appraisal that the Collection Center set for such personal properties will serve as the minimum rate for such a third or other successive auctions. Should there be no competitive bidding or adjudication at any of these auctions, the Collection Center may adjudicate itself the attached personal property for the minimum rate of appraisal which corresponds to the auction by which the property is to be adjudicated. When the personal property is adjudicated to a third party, as well as when it is adjudicated to the Collection Center, the proceeds of the sale of such property will be devoted to the payment of the tax debt. In case the property is adjudicated to the Collection Center, it will issue and deliver to the taxpayer a credit note for a sum equal to the difference between the adjudication price and the tax debt being collected. This credit note shall be sufficient for the future cancellation of an equal amount owed by the same taxpayer on account of property taxes. In the case of an adjudication to a third party, the remainder, if any, will be delivered by the Collection Center to the taxpayer. Should the amount obtained at the auction be insufficient to cancel the tax debt, the Collection Center shall collect from said delinquent taxpayer the amount of the tax which is not covered, with its surcharges and interest, as soon as it has knowledge that said delinquent taxpayer has and owns attachable real and personal property, in which case the legal proceeding for debt collection established by law shall be instituted against him/her for collection of the difference. Real properties related to the homestead exemptions established by Section 249 of the Code Civil Procedure of 1933 [32 L.P.R.A. § 1130], shall be exempted from being sold for nonpayment of taxes.

Section 4.04. — Transfer of Title to buyer; distribution of proceeds of the sale. (21 L.P.R.A. § 5104)

Payment of the bidding price of the personal property sold, its delivery and that of the sales account, shall give the buyer title to and rights over said property. All of the remainder of the proceeds of the sale received in excess of the taxes, penalties and cost and costs shall be returned by the Collection Center to the owner of the property sold, or his/her assignees in the manner prescribed by Section 4.03 of this Title. The unsold part of said personal property shall be left at the site of the auction at the owner's expense and risk.

Section 4.05. — Attachment and sale of real properties. (21 L.P.R.A. § 5105)

In case it should be decided in the first instance to attach the real properties of a delinquent taxpayer and these should not be sufficient for paying the taxes, interest, penalties and costs

owed by him/her to the Collection Center, or should the taxpayer not own real properties subject to attachment and sale, the Collection Center or its representative shall attach the real property of said debtor not exempted from attachment pursuant to what is prescribed in Section 4.1 of this Title and sell the attached real property belonging to said delinquent taxpayer for the payment of said taxes, interest, penalties and costs. The real properties thus attached shall be sold at public auction at a minimum rate that will be the value of the delinquent taxpayer's equity in the attached property or the value of the credit represented by the tax debt, whichever is less. Equity shall be understood to be the difference between the real value of the property and the amount for which it is mortgaged. The credit represented by the tax debt includes surcharges, interest and costs. The minimum adjudication rate shall be fixed through the appraisal performed by the Collection Center for said real properties prior to the publication of the notice of auction. The minimum rate shall be a confidential matter between the Center and the taxpayer. However, the Center may only announce it during the auction after the best offer has been received, only when said offer does not exceed the minimum rate. The number of auctions to be held in each sale, as well as the minimum rate to be used in each, shall be determined by the Center through regulations.

Should there be no competitive bidding or adjudication in any of said auctions in favor of a particular person, the Collection Center may, through the representative before whom the auction is held, adjudicate upon itself the attached real property for the corresponding minimum amount of the adjudication rate. If the real property subject to the legal proceedings for collection is adjudicated to a third party at any auction held, and the amount obtained at the auction is not sufficient to cover the total amount owed for taxes, interest and surcharges, the Collection Center may collect from said delinquent taxpayer the amount of the tax with its surcharges and interest that is not covered as a result of the auction held as soon as the Center obtains knowledge that said delinquent taxpayer holds and is the owner of attachable real or personal property, in which case the legal proceedings for collection established by this Act shall be filed against him/her. Notwithstanding the above provisions, no attached real property shall be sold through the legal collection proceedings for an amount lower than the total amount owed by said property for taxes, plus surcharges and interest.

The person to whom the real property is adjudicated at public auction acquires it "as is" and will not be entitled to take legal action for reparations against the Collection Center. In case it is decided to collect the taxes through the attachment and sale of the real properties of the delinquent taxpayer without first attaching and selling personal properties belonging to him/her, the provisions of this section shall be followed insofar as they are applicable.

Notwithstanding the above provisions, no real property attached exclusively for the collection of the taxes comprised in Section 4.01 above, title shall be sold through legal collection procedures for an amount that is less than the total amount of the taxes owed by said property plus surcharges and interest.

Section 4.06. — Certificate of attachment; registration. (21 L.P.R.A. § 5106)

Immediately after the expiration of the terms granted by Section 3.42 of this Act for the payment of taxes in those cases in which the property to be attached is real property, the Collection Center or its representative shall prepare a certificate of attachment describing the attached real property and will cause said certificate to be presented for registration at the

corresponding Property Registry. Said certificate shall contain the following details: the name of the delinquent taxpayer, if known; the official cadastral number assigned by the Collection Center to the attached real property for fiscal purposes; the total amount of said taxes, penalties and costs owed by the aforesaid; the description of the attached real property, and the fact that the attachment shall be valid on behalf of the Collection Center. Once the notice of attachment is presented at the Property Registry, it is sufficient as notice to the taxpayer and to initiate the collection procedures.

Section 4.07. — Registration of the attachment certificate; personnel to cooperate with the registerers (21 L.P.R.A. § 5107)

Immediately after receipt of said certificate of attachment, it shall be the duty of every Property Registrar to duly register and return the aforesaid to the Collection Center within the term of ten (10) days together with a note from the Property Registrar attesting to the fact that it has been duly registered. The Property Registrar shall collect no fee whatsoever for such a service. The Collection Center is hereby authorized to appoint whatever personnel is deemed necessary to cooperate with the property registrars in the task of searching the archives for attached real properties, in the notation of attachments and any other tasks related to the attachment of real properties for the collection of taxes, pursuant to the Act Governing the Center for the Matching of Municipal Revenues.

Section 4.08. — Notice of attachment; notice of auction. (21 L.P.R.A. § 5108)

Once the certificate of attachment is presented at the corresponding Property Registry, the Collection Center or its representative, shall give notice of said attachment in the manner determined by Section 4.02 of this Title, to the effect that if all taxes, interest, penalties and costs owed by the owner of the attached property are not paid within the term prescribed below for the notice of the sale of said property, it will be sold at public auction for a minimum rate fixed on the basis of the value of the taxpayer's equity on the property subject to attachment, or for the value of the tax debt, whichever is less. If the person to whom the attachment is served because he/she appear as owner of the property in the records of the Collection Center is not the owner on the date of service, he/she will have the obligation to notify the Collection Center or its representative of that circumstance in writing within ten (10) days following the date that he/she received said notice. If he/she does not do so, a fine of two hundred dollars (\$200) will be imposed. Said notice of auction shall be published in two newspapers of general circulation in Puerto Rico, at least three (3) times a week for a period of one week, and edicts shall be issued to that same effect. The costs of said notices and edicts, together with the fees established by Section 4.02 of this Title for serving the notice to the taxpayer or his/her representative, shall be collected as part of the costs of the sale and will be paid to the Collection Center. Copies of said notice and of the edict published in the newspapers together with the sworn statements of each of the managers of the newspapers in which such a notice was published, shall be kept by the Collection Center. These documents shall be prima facie evidence of the proper notice of said auction.

Section 4.09. — Auction; notice and delivery of the remainder to the taxpayer; effect on the right of redemption. (21 L.P.R.A. § 5109)

The time, place and conditions under which said auction shall be held must be clearly stated in said notice. Upon expiration of the aforementioned period for the publication of said notice, or as soon as possible after its expiration, said property shall be sold by the Collection Center at public auction to the highest bidder. No offer whatsoever shall be accepted for a sum that is less than the amount fixed in Section 4.05 of this Title for the auction. Neither shall it be accepted unless a cash deposit of ten percent (10%) of the amount of the offer is included; such a deposit will be forfeited if the buyer fails to pay the rest of the sum for which the property was sold within ten (10) days following the date of sale.

Within thirty (30) days after the auction is held, and after applying the corresponding amount to the payment of the debt, the Collection Center shall notify the taxpayer of the result of the auction, informing him/her of the remaining amount, should the adjudication price be greater than the debt to be collected, and also informing him/her whether the successful bidder was a third party or the Collection Center. Upon request of the taxpayer, the Collection Center shall be bound to deliver said remainder to him/her at any time within the term of one year from the date of the auction should the successful bidder be a third party able to certify that the taxpayer has conveyed ownership of the property to him/her, or that such a conveyance has been agreed upon to the satisfaction of both. In such a case the right of redemption granted by Section 4.14 of this Title will be understood to be extinguished as soon as said amount is delivered to the taxpayer or his/her assignees. If the taxpayer has not exercised his/her right of redemption within one year, or if it has been extinguished, as provided above, the Collection Center shall be bound to notify the taxpayer or his/her assignees that the remainder is available for delivery after the right to the aforesaid has been established before it by the interested parties. When the adjudication has been made to the Collection Center, the taxpayer may request that the remainder be given to him/her at any time after he/she is notified of the result of the auction, and such a request will be interpreted as an offer to waive the right of redemption, which will be completed when the corresponding delivery is made to the taxpayer or his/her assignees. Said delivery must be made by the Collection Center or its representative. Prior to verifying the payment of the remainder to the taxpayer, the Collection Center may allow any instrumentality or agency of the Government of Puerto Rico to acquire the auctioned property should the nature of its business be compatible with said acquisition. In that case, the agency or instrumentality shall pay the remainder to the taxpayer or his/her assignees through the Collection Center, and pay the Collection Center the amount of the debt for payment of which the property was auctioned. The certificate from the Collection Center stating that both payments have been made will constitute sufficient title on the property in favor of the instrumentality or agency, said title being recordable at the Property Registry. The Collection Center shall make no payment whatsoever of the remainder to the taxpayer or his/her assignees prior to having conveyed possession of the real estate property.

Section 4.10. — Extension or postponement of the sale. (21 L.P.R.A. § 5110)

The Collection Center or its representative may continue the sale from day to day should it deem its delay necessary and may extend it for just cause for a term not to exceed sixty (60) days, of which due notice will be given through an announcement as determined by Section 4.08 of this Title.

Section 4.11. — Unauthorized sale; penalty. (21 L.P.R.A. § 5111)

If any officials, employee or representative of the Collection Center sells or assists in the sale of any real or personal property, knowing that said property is exempted from attachment; or that the taxes for which it has been sold have been paid in full; or knowingly and intentionally sells or contributes to the sale of any real or personal property whatsoever for the payment of taxes in order to cheat the owner; or restricts the participation of bidders in any way; or knowingly or wilfully issues a purchase certificate of the real assets thus sold: he/she shall incur a felony and upon conviction, shall be sanctioned with a fine of five thousand dollars (\$5,000), or imprisonment for a term of five (5) years, or both penalties, at the discretion of the court and shall be subject to pay the injured party all damages caused to the aforesaid by his/her acts, and all sales thus carried out will be void.

Should the Center or its representative expressly or implicitly offer the bidders guarantees on the validity of the title, the quality, size or condition of the property, it shall be subject to the penalties indicated in the preceding paragraph, although the sale shall be valid.

Section 4.12. — Purchase prohibited; penalty. (21 L.P.R.A. § 5112)

Any official, employee or representative of the Collection Center or any guarantor thereof, who directly or indirectly purchases any part of any personal or real property sold for the payment of unpaid taxes, shall answer with his/her official bond for all damages suffered by the owner of said property, and all those sales shall be void. In addition to this, the employee, author of said offense, shall incur a felony and upon conviction shall be sanctioned with a fine of five thousand dollars (\$5,000) or imprisonment for five (5) years, or both penalties, at the discretion of the court.

Section 4.13. — Certificate of purchase; registration; title. (21 L.P.R.A. § 5113)

Within sixty (60) days following the date of the auction, the Collection Center will prepare, sign and deliver a certificate of purchase to the buyer of any real property whatsoever which is sold for non payment of taxes, which will include the name and residence of said buyer, the date of sale of said real properties, the amount for which they have been sold, a certification stating that said amount has been paid in full by the buyer, the amount of taxes, fines and costs, and the description of the properties required by 4.06 of this Title, and the folio and volume of the Property Registry of the district where the real estate property is registered, should it have been registered.

Should the right of redemption provided below be not exercised within the prescribed term, said certificate, once registered in the Property Registry in the corresponding district,

shall constitute absolute title to the property in favor of said buyer subject to the liens registered on said property. Said certificate shall be prima facie evidence of the events included therein, in any controversy or proceeding or suit that involves or concerns the rights of the purchaser, his/her heirs or assigns, to the property transferred by virtue thereof. Upon receipt of said certificate, the purchaser, his/her heirs or assigns, may have it duly registered in the corresponding section of the Property Registry through the payment of the corresponding registration fee.

Section 4.14. — Redemption of assets sold for the payment of taxes. (21 L.P.R.A. § 5114)

Except for what is provided in Section 4.09 of this Title, the person who on the date of the sale is the owner of any real assets that are later sold to another natural or juridical person or to the Collection Center for the payment of taxes, or any person, or his/her heirs or assigns, who on the date of the sale has any right or interest in the same, may redeem them within the term of one year from the date the certificate of purchase is issued, by paying to the Collection Center or its [representative], or to the purchaser, heirs or assigns, the total amount of the purchase value plus the improvements and expenses incurred by the buyer, together with the costs accrued and taxes due up to the date of the redemption, to which twenty percent (20%) of all of the preceding shall be added as compensation to the buyer. When payment of said amounts is verified, the person who redeems the property shall be entitled to receive from the buyer, or his/her heirs or assigns, said purchase certificate, on the back of which shall be issued in due form and before a notary public the receipt of the money paid, and the person who redeems the property shall pay the notary public's fee. The certificate duly issued on the back of the purchase certificate, or in lieu thereof; the certificate from the Collection Center prescribed below, will have the effect of a letter of payment of all claims of the Collection Center on the property title of the real estate property sold because, or by virtue of said auction for the payment of unpaid taxes and cancellation of the purchase certificate. If the property has been adjudicated to the Collection Center, once the amounts indicated above have been paid, the Collection Center shall issue a certificate for the Property Registry, attesting to the redemption and ordering that the aforesaid be recorded in the Property Registry cancelling the purchase in its favor. The person who redeems the property may cause said letter of payment, or in lieu thereof, the Collection Center certificate, to be duly registered in the Property Registry against the purchase certificate through the payment of the registration cost required by the Registrar. The property thus redeemed will continue to be subject to all encumbrances and legal claims against it other than taxes, to the same extent and manner as if said property had not been sold for the payment of taxes. When the property redeemed by a mortgage creditor the money paid by the aforesaid to redeem the property shall be accumulated to its mortgage credit and may be recovered at the same rate of interest accrued by the mortgage credit. When the tenant or lessee redeems the property, he/she may deduct the total of said redemption from the rent payable. Except as provided by Section 4.09 of this Title, when the property has been adjudicated to the Collection Center, the aforesaid may agree, at its discretion, or after a year has elapsed from the date of issue of the sale certificate, to the redemption of the aforesaid by any person entitled to redeem the aforesaid within that year, provided that when the

redemption is requested, the property is not being used by the Commonwealth of Puerto Rico and has not been sold, transferred or conveyed [by] lease [to] the Collection Center, or the remainder of the proceeds [of] the auction has not been delivered, and provided that the person who requests the redemption previously deposits at the Collection Center the total amount of the taxes to be collected at auction plus the improvements and expenses incurred by the Collection Center together with all the accrued costs and the taxes that would have been levied on the property had the same continued in the possession of any taxpayer, with its surcharges and interest, plus twenty percent (20%) of the preceding [sic] as a penalty. In these cases, once the Collection Center has agreed to the redemption, a certificate of redemption shall be issued and the sale shall be cancelled in the Property Registry in the same manner described in this section for cases of redemption within the year.

Section 4.15. — Buyer whose domicile is unknown. (21 L.P.R.A. § 5115)

- (a) When the taxpayer whose real estate property has been auctioned for the payment of taxes wishes to redeem the aforesaid and does not know the domicile of the person to whom it was auctioned, or cannot locate him/her at the domicile given on the certificate of sale, he/she shall so announce in an edict that shall be published in a newspaper of general circulation [for thirty (30) days, one time per week, and in addition, shall post it for] one month at the internal revenue collection office or offices of the municipality where the real estate property was sold, making the offer of the sum paid by the successful bidder plus interest up to the day of the deposit, and once the term has expired, the taxpayer shall make said deposit at the Property Registry in the manner and to the effects determined in Section 4.16 of this Title.
- (b) The person with an interest in the auctioned real estate property shall have the same rights as the delinquent taxpayer.

Section 4.16. — Procedure if the buyer refuses redemption money or his domicile is unknown; redemption certificate. (21 L.P.R.A. § 5116)

Should said buyer, his/her heirs or assignees refuse to accept the cash offer made to redeem the property, as stated, or if they cannot be located, the person entitled to redeem the property shall pay the amount of the redemption to the Collection Center or its representative. In that case, the Collection Center shall compute the legal amount of money that must be paid in order to redeem the property pursuant to the prescriptions of this title and upon receipt of the aforesaid will issue the certificate of redemption of the property to the person who in fact redeems said property. The payment of that redemption money to the Collection Center shall restore to said prior owner and his/her heirs or assigns all rights and title to said real property and their share therein, and dominion that said former owner had over the aforesaid prior to said property being sold for payment of taxes.

Section 4.17. — Notice to the buyer concerning the deposit of the redemption money. (21 L.P.R.A. § 5117)

Upon receipt of money to redeem the property in the above mentioned manner, the Collection Center shall notify the buyer, his/her heirs or assigns, of the payment of said money and shall keep it at the disposal of said buyer, heirs or assigns, in the manner stated in the purchase certificate.

Section 4.18. — Purchase of personal or real property by the Collection Center. (21 L.P.R.A. § 5118)

All personal property or parcels of real property offered at public auction for the payment of unpaid taxes which are not sold for lack of an offer sufficient to cover all taxes, penalties and costs that encumber said property, may be purchased in the name of the Collection Center at any public auction. The Collection Center will make a public bid for said property for the amount of said taxes, penalties and costs and should it not make the best offer, it will release and cause a certificate of purchase in favor of the Collection Center to be registered at the Property Registry of the district in which said property is located, containing the report and description of the property prescribed by Section 4.13 of this Title. If the right of redemption granted by Section 4.14 of this Title is not exercised within the prescribed term, said certificate, once registered in the Property Registry of the district where said property is located, will constitute absolute title to said property in favor of the Collection Center, free from any mortgage, lien or any other encumbrance. Said certificate shall be prima facie evidence of the events inscribed in it in any controversy, proceeding or lawsuit concerned with or related to the right that the purchaser, his/her heirs or assigns might have to the property assigned by the aforesaid. No fees shall be charged by the property registrars for recording said certificate or for the copies they may issue thereof. The Governing Board of the Collection Center shall adopt and promulgate the rules needed to regulate the faculty granted to it by this Act to purchase in its name real or personal property, or both, at the auctions for the collection of taxes, and in specific cases it may instruct any of its representatives to purchase or abstain from purchasing the attached property.

In those cases in which the property is adjudicated to the Collection Center, it is empowered to pay to the person entitled to a homestead the sum fixed in the statutes in order to protect that right.

The Collection Center shall transfer to the corresponding municipality the title to the personal and real property which it acquires through the process of attachment, free of charge, and shall register it in its books for the indebted value.

Section 4.19. — Cancellation of an irregular sale by the Collection Center. (21 L.P.R.A. § 5119)

When any real property has been sold because of delinquent taxes and auctioned in favor of the Collection Center, and it is later discovered that, for whatever reason, there were irregularities in said sale, and that its owner has been unduly deprived of his property, the Collection Center is empowered to cancel said sale and, when necessary, to issue a certificate

of redemption which shall have the effect of a new transfer of the property to its owner or to his/her heirs or assigns, whichever the case might be, and the property shall remain subject to all liens and legal claims against it to the same extent and in the same manner as if it had not been sold for the payment of taxes, and the Property Registrar shall record the certificate of redemption without charging any fee whatsoever for that service.

Section 4.20. — Partial or total redemption of properties; Puerto Rico Land Act. (21 L.P.R.A. § 5120)

Notwithstanding the fact that the term of one year fixed by Section 4.14 of this Title for the redemption of the properties sold for the collection of taxes has transpired, in all those cases in which the Collection Center adjudicates upon itself rural property at public auction for the collection of taxes, penalties and costs that encumber it by which sale agreements are executed by the delinquent taxpayer with the Secretary of Agriculture to comply with Title V of the Land Act of Puerto Rico approved April 12, 1941, as amended, the Collection Center may issue redemption certificates for all or that part of said real property committed by sale by said taxpayer in favor of the Secretary of Agriculture through the total payment, or the proportional part of the redemption price, and the main real estate property corresponding to the redeemed parcel.

TITLE V. — EXEMPTIONS FROM PROPERTY TAXES. [21 L.P.R.A., Subtitle 7, Chapter 247]

Section 5.01. — Property exempted from taxation. (21 L.P.R.A. § 5151)

The following assets shall be exempted from the payment of all personal and real property taxes:

- (a) House[hold] personal property, such as furniture; jewelry; coin, stamp and art work collections, etc., and others of a similar nature; securities; furniture of a second home; vessels, and any other article strictly for personal use.
- (b) The property of the United States and all property exempted from the payment of taxes by the laws of the United States; the property of the Commonwealth of Puerto Rico, of the Puerto Rico Housing and Human Development Trust and of the Puerto Rico Conservation Trust, with the exception of what is determined in Section 3.16 of this Act; the property of any municipality exclusively set aside for public use, even though said property is a source of revenue for the municipality to which it belongs. In those cases whereby the Commonwealth Government has conveyed or later conveys lands or property belonging to it in usufruct to private persons or entities, said lands or property thus conveyed shall be subject to the property tax laws and the usufructuaries shall be bound to pay such taxes. In the event said usufructs are for a term of more than five (5) years, or for life, the usufructuaries shall be deemed to be the owners of the property for all effects of the tax exemption laws and ordinances.
- (c) The debts of any person, partnership or corporation subject to the payment of taxes, with the limitations and in the manner prescribed in Sections 3.16 and 3.17 of this Act.

(d) The shares, bonds, interest, bills, promissory notes, and other securities or debt or obligation instruments issued by institutions, corporations, societies, or companies organized under the laws of Puerto Rico; and the shares, bonds, interest, bills, promissory notes, and other securities or debt or obligation instruments issued by foreign corporations, societies, or companies owned by natural persons, investment companies registered and organized under the laws of Puerto Rico, or by corporations or societies organized under the laws of Puerto Rico.

(e) The real and personal property belonging to and registered in the name of any nonprofit corporation, institution, partnership or entity organized under the laws of Puerto Rico, dedicated to religious, charitable, scientific, literary, educational, and recreational purposes, among others, as well as commercial leagues, chambers of commerce, civic leagues or organizations, boards of proprietors, tenant associations, employee associations, and any other nonprofit organization in general, whose net properties and utilities do not benefit any shareholder or person in particular. The personal and real property used as parochial homes in which preachers, ministers or priests live shall be exempted; as well as those partially or totally used as Masonic and Oddfellow lodges, or as theosophic or psychic study centers or charitable centers. However, in case part of the property is not occupied by the organization or institution for its nonprofit purposes and ends, or that part of the property is leased and making a profit, the part of the property thus used shall be subject to the levy and payment of taxes in the manner, within the term, and after compliance with the requirements provided by law.

(f) Property of every hospital, clinic or polyclinic belonging to a religious institution, organization, partnership, foundation, or any other type of institution organized and devoted to the performance of medical-hospital activities for nonprofit purposes, including land, buildings, garages, annexes, housing for resident physicians, nurses and nursing students, in existence or to be constructed in the future as an integral and indispensable part of the physical plant, of said hospitals, clinics or polyclinics; also including all equipment and personal property used in the operation and performance of its medical-hospital activities. The tax exemption granted under this subsection is subject to compliance with the requirement that the religious institution, organization, partnership, foundation or any other type of nonprofit institution in questions that owns said medical-hospital installation, has established and maintained, or establishes and maintains at said hospitals, clinics or polyclinics, free of charge or at a nominal cost, such dispensary, medical-surgical and hospitalization and laboratory services for indigent persons, that in the judgment of the Collection Center, in consultation the proportion of said services in relation to the total volume of services rendered during the preceding tax period, justified the tax exemption privilege provided by this subsection. The benefits or surplus obtained in the operation of such activities may not be distributed among partners, individuals shareholders or members of the religious institution or nonprofit organization. Said benefits or surplus shall be devoted to the improvement and expansion of their facilities and services or to any other end closely related to the objectives and purposes for which said religious institutions and nonprofit organizations were created. It shall also be an indispensable requirement for granting the tax exemption established herein that the Secretary of Health certify that the applicant meets the minimum requirements for rendering hospitalization, medical-surgical and [laboratory] services. It shall likewise be an indispensable condition for the enjoyment of the benefits of

this title that every institution [sheltered] under it remit on time any tax withheld from salaries pursuant to the provisions of Section 141 of Act No. 91 of June 29, 1954, as amended, known as the "Income Tax Act of 1954".

The right to the tax exemption granted by this subsection shall be exercised by filing the official form that will be provided by the Collection Center for this purpose and the exemption shall take effect during the fiscal year corresponding to the appraisal date following the filing date of said form, except that every hospital, clinic or polyclinic or any other type of nonprofit institution engaged in rendering medical-hospital services which on the date of approval of this Act is already enjoying the tax exemption provided herein, shall continue to enjoy the same and shall not be bound to comply with the requirement for filing the official form mentioned above. It shall be the indispensable obligation of every religious institution, organization, partnership, foundation or any other type of nonprofit institution which is enjoying this tax exemption, to submit a written report to the Collection Center no later than the 15th of April of each year, regarding its operational activities and services rendered to indigent persons. Said report shall include a list of the names and addresses of the indigent patients attended to and the cost of the services rendered. Noncompliance with this requirement in the time and manner provided shall constitute sufficient legal grounds not to recognize or to revoke any tax exemption granted previously, unless an extension for filing the report has been requested before the expiration of the fixed term. The Collection Center may grant an extension that shall not exceed sixty (60) days, from the date said report should have been submitted, when it is shown to its satisfaction that special circumstances have prevented, or will prevent the preparation and filing of said report within the term provided herein. In case any part of the personal or the real property is not used or occupied by it for its nonprofit ends and purposes, the hospital, clinic or polyclinic belonging to a religious institution, organization, partnership, foundation or any other type of nonprofit institution organized and engaged in performing medical-hospital activities, or that part of the personal or real property is leased or making a profit, the part of said property not used or occupied for its nonprofit purposes or that is leased shall be subject to the levy and payment of taxes in the manner, within the term, and after compliance with the requirements provided by law.

(g) Real and personal property belonging to every nonprofit association organized under the laws of Puerto Rico for the purpose of selling prepaid programs or plans for medical and hospital services, provided it complies with the requirements of Act No. 142 of May 9, 1942, as amended. In case part of the property should not be occupied by the partnership for its nonprofit ends and purposes, or that part of the property should be leased and making a profit, the part of the property so used shall be subject to the levy and payment of taxes in the manner, within the term, and after compliance with the requirements provided by law.

(h) Cemeteries, tombs and the right to burial at a specific location, provided these places are destined for the burial of bodies and no dividends or profit are obtained from them, except in the case of dividends or profits derived from cemeteries owned by the municipalities.

(i) Vessels of all types not used in any industry or business, except for commercial fishing or leasing for recreational purposes, which are duly registered with the Office of the Navigation Commissioner of the Department of Natural and Environmental Resources. Also exempt shall be the fish in the possession of the fishermen who caught them, vessels of all types which constitute the working tools of the fishermen and the fishing vessels exclusively

devoted to fishing as part of any industrial units, or any entity engaged in fishing and in the exclusive transportation of fish for industrial processing in Puerto Rico, or to any of these.

(j) Fruit to be harvested and land products that are precisely the property of the producer and while they are in his/her possession; cattle and silos used exclusively to ferment fodder for raising cattle; poultry and the equipment and structures specifically constructed for poultry production; pigs and the equipment and structures specifically constructed for raising pigs, and thoroughbred horses raised for breeding, race horses, equipment and structures built and the land developed specifically for breeding thoroughbred race horses. "Thoroughbred horses" raised for breeding shall be understood to mean those registered in the Puerto Rico Race Horse Stud Book kept by the Horse Racing Administration pursuant to the regulations in effect.

(k) Private property of artisan workshops when they are directly operated by the artisan in the practice of his/her craft even though they may be available to more than one artisan.

(l) Every license, authorization, diploma or certificate granted by virtue of the law to natural persons for them to exercise a profession, occupation or craft. Texts and professional books and private libraries shall also be exempt.

(m) Non-interest bearing mortgage bonds, and other obligations used exclusively as bonds or guaranties of the faithful performance of public office.

(n) Motor vehicles subject to payment of license plate and sticker fees provided by Act No. 22 of January 7, 2000, known as the "Vehicle and Traffic Act of Puerto Rico of 2000", except those kept in stock by natural or juridical persons who are motor vehicle dealers.

(o) Raw sugar and the syrup produced from sugar cane in Puerto Rico as long as they are in the possession of the producer, and refined sugar in the possession of the refiner.

(p) Real and personal property owned in fee simple by the government of a foreign country to be used completely or exclusively for the official use of a consulate in Puerto Rico, and while said property is used for such a purpose, provided that the respective countries grant a similar exemption to properties belonging to the United States of America devoted to a similar use within their territory. The diplomatic or consular representatives requesting such an exemption must cite before the Department of State the legal provision, or stipulation by treaty or agreement, which establishes such a privilege in the country represented by them; and they must, likewise, notify the Department of State of Puerto Rico at an opportune as to when the government of their nation sells, transfers, donates or in any other way conveys said property in Puerto Rico.

(q) Machinery and equipment used in Puerto Rico for:

(1) Research about and/or for minerals or oil by natural or juridical persons who perform such studies with the approval of the Puerto Rico Mining Commissions. This exemption shall be in effect regardless of whether said machinery and equipment is not being used for any reason.

(2) The conversion of coal into a source of energy. This exemption shall be granted for the five (5) years immediately following the acquisition or installation of the equipment. [The equipment acquired prior to the date of approval of this Act will be governed by the applicable legal provisions and will be in effect until the date of approval of this Act.]

(3) The control, reduction or prevention of environmental pollution caused by a cement production plant.

(r) Broadcasting licenses or franchises granted by the Federal Communications Commission to radio and television stations that operate in Puerto Rico.

(s) Any solar powered material, equipment or accessory and renewable energy collection, storage, generation, distribution, and application equipment introduced to or manufactured in Puerto Rico, as such equipment is defined in Act No. 325 of September 16, 2004.

(t) Real and personal property belonging to an international banking institution to which a license has been issued under International Banking Center Regulatory Act [7 L.P.R.A. §§ 232 et seq.].

(u) Properties built or under construction on the effective date of this Act, and which are devoted to the rental housing market under Section 515 or Section 521, Plan II of the Federal Rural Housing Act of 1949, as amended, Public Law 81-171, pursuant to the following norms:

(1) The tax exemption shall not exceed fifteen thousand (15,000) dollars (one hundred and fifty thousand (150,000) dollars for fiscal years 2009-10, 2010-2011, and 2011-2012) of the appraised value per housing unit, pursuant to the criteria for the classification and appraisal of property for tax purposes as provided in Title III of this Act;

(2) the lessor shall not own property, directly or indirectly, for residential purposes;

(3) the exemption shall be granted for a period of twenty (20) years while the property is maintained in the housing rental market under Plan II of Section 515 or 521 of the Federal Farmer's Home Administration and operates on the basis of limited profits, and

(4) the Secretary of Housing of the Commonwealth shall issue a certification as to the social interest of the housing under Program 515 or 521 of the Farmer's Home Administration once he/she receives documentation to that effect from that federal agency. The Collection Center shall issue the corresponding tax exemption in keeping with this certification.

(v) Every authorization and/or license granted by the Public Service Commission to a natural person as a public carrier, provided said person is the one using the license and/or the authorization thus granted, and that the same is his/her working tool. A natural person shall not be allowed to enjoy more than one exemption under this subsection.

(w) Intangible personal property including good will, privilege rights, trademarks, grants, franchises, value of contracts, timeshare or vacation club rights created pursuant to the provisions of Act No. 252 of December 26, 1995, as amended [31 L.P.R.A. §§ 1251 et seq.], patents, inventions, formulas, processes, designs, patterns special technical know-how, methods, programs, systems, procedures, campaigns, surveys, studies, forecasts, estimates, client listings, technical information and any other of a like or similar nature.

(x) Real property located in historic zones declared as such by the Puerto Rico Planning Board or by the Institute of Puerto Rican Culture pursuant to legislation in effect.

(y) Real properties on which newly-constructed multi-level structures are built which are directly devoted to the parking business in the zones of each municipality determined by the municipality in the case of an autonomous municipality with due competence, or by the Puerto Rico Planning Board through the promulgation of regulations. The term of the exemption shall be determined by each municipal legislature, through the approval of an ordinance to such effect. Said term shall never be less than five (5) years nor more than twenty (20) years.

(z) The inventory maintained by those juridical persons, including corporations dedicated to the operation of voluntary goods and services retailers' chains programs organized in accordance with the provisions of Act No. 77 of June 25, 1964 [10 L.P.R.A. §§ 257 et seq.], and duly certified by the Commercial Development Administration, to be transferred to their associates. These entities shall not establish more than four (4) distribution warehouses in Puerto Rico; Provided, That the inventory refers to that of merchandise for resale by their associates.

(aa) The real or personal property located within manufacturing plants engaged in tuna processing when there are two hundred (200) or more employees in their operations. For the purposes of this subsection, a "manufacturing plant" shall be understood to be one or more buildings and/or structures with the appropriate equipment and/or machinery installed in said facility to be used jointly in industrial operations for the production of goods for trade, products or groups of products related thereto.

(bb) Personal property, including inventories and equipment of those businesses who keep operating within a duly credited Foreign Trade Zone or Sub-zone in Puerto Rico pursuant to the Foreign Trade Zone Act of 1934, as amended (19 U.S.C. 81C(a)).

(cc) Sixty percent (60%) of the appraisal value of all real property, whether privately owned, located within a duly credited Foreign Trade Zone or Sub-zone in Puerto Rico pursuant to the Foreign Trade Zone Act of 1934, as amended (19 U.S.C. 81C(a)).

(dd) The property of the Puerto Rico Science, Technology and Research Trust established through public deed granted by the Secretary of Economic Development and Commerce and the President of the University of Puerto Rico as trustees.

Section 5.02. — Buildings under construction; equipment and machinery to be installed or used; property tax exemption. (21 L.P.R.A. § 5152)

As of the first of July 1991, every building under construction on said date, or whose construction is started after said date shall be exempt from all property tax levied and payments. All equipment, material and machinery acquired to be installed or used, and which is installed or used in a building or partly in the lot and partly in said building or exclusively in a lot, shall also be covered by this exemption, but said exemption shall expire as soon as such installation or use is ended and said equipment, material and machinery becomes a part of the job; but in no case will this exemption be in effect for more than three (3) years from the date such machinery, material or equipment is available in Puerto Rico for its installation or use in a construction in progress.

Section 5.03. — Term of the exemption. (21 L.P.R.A. § 5153)

The exemption established by Sections 5.02 to 5.09 of this Title shall be in effect until the exempt building is finished, or is in a condition to be used for the purposes for which it was constructed, or starts to be partially or totally occupied; but in no case shall the exemption be in effect for more than three (3) years from the date the construction of the building was begun. The effectiveness of this exemption with regards to machinery, material and equipment shall be governed by the provisions of Section 5.02 of this Title.

Section 5.04. — Taxation upon expiration of exemption. (21 L.P.R.A. § 5154)

If the tax exemption ceases on, or after the first of January but on, or before June 30 of any year, the building shall remain subject to the levy and payment of property taxes for the fiscal year commencing on the following July first. When this occurs, the Collection Center shall immediately proceed to appraise the building as of the first of January immediately preceding, and to issue the corresponding receipts in manner determined by law.

Section 5.05. — Exemption request. (21 L.P.R.A. § 5155)

Every person who believes he/she is entitled to the exemption established by Sections 5.02 and 5.09 of this Title, shall present an exemption request to the Collection Center providing all the information required. In the case of buildings whose construction was begun after July 1, 1991, the exemption request must be presented within thirty (30) days following the start of the project. In the case of machinery, material and equipment available for installation, or in the process of being installed on the effective date of this Act, the request must be presented within thirty (30) days following said effective date; in all other cases of this nature the request must be presented within thirty (30) days following the date on which the machinery or equipment was received by the firm that will finally use it, or by its agent in Puerto Rico for the purpose of installing the aforesaid. Regarding the materials, the Collection Center will prescribe through regulations, the date on which the exemption request must be submitted. The exemption requests presented after the terms prescribed herein have expired will be refused by the Collection Center, unless it is shown to the satisfaction of said agency that special circumstances have prevented the timely presentation of the request.

Section 5.06. — Additional information. (21 L.P.R.A. § 5156)

In addition, the Collection Center is hereby empowered to require from any petitioner, any additional information that in its judgment, is needed prior to recognizing the exemption. If the petitioner does not furnish the information requested within the term of thirty (30) days, or within an additional term granted to him/her by the Collection Center for that purpose, the Collection Center may deny recognition of the exemption.

Section 5.07. — Other taxes shall be paid. (21 L.P.R.A. § 5157)

The Collection Center shall not recognize any exemption whatsoever by virtue of Sections 5.02 and 5.09 of this Title until the petitioner shows that he/she has paid in full to the Collection Center all the property taxes owed on properties belonging to him/her, with the exception of those cases in which the tax owed is challenged before the courts, is postponed or is pending collection.

Section 5.08. — Ruling of Collection Center shall be final. (21 L.P.R.A. § 5158)

The ruling of the Collection Center recognizing or refusing to recognize a tax exemption under Sections 5.02 and 5.09 of this Title shall be final and unappealable.

Section 5.09. — Regulations. (21 L.P.R.A. § 5159)

The Governing Board of the Collection Center shall adopt the rules and regulations needed to implement the provisions of Sections 5.02 and 5.09 of this Title subject to the provisions of Act No. 170 of August 12, 1988, as amended, known as the "Uniform Administrative Procedures Act."

Section 5.10. — Exempt raw materials; Definition. (21 L.P.R.A. § 5160)

For the purpose of Sections 5.10 to 5.13 of this Title, "raw materials" shall be understood to mean not only products derived from farming or the so-called extractive industries in their natural form, but any subproduct, any partially processed product, or any finished product, provided it is used as an ingredient or as an integral part of another industrial product, so that when the industrial process is performed, said "raw materials" totally and completely become part of the finished product, or are completely consumed, totally extinguished and cease to exist.

Section 5.11. — Finished products; definition. (21 L.P.R.A. § 5161)

Finished products Shall be understood to mean those commercial goods obtained by combining two or more "raw materials" or submitting one or more of these to industrial processes, provided that in one case or the other, predetermined methods and manual labor are used directly or indirectly.

Section 5.12. — Property tax exemption. (21 L.P.R.A. § 5162)

The "raw materials" guaranteed to be used in the production of finished goods shall be exempt from payment of all property taxes while in the possession of the producer of the finished goods.

Section 5.13. — Regulations. (21 L.P.R.A. § 5163)

Subject to Act No. 170 of August 12, 1988, as amended, known as the "Uniform Administrative Procedures Act", the Governing Board of the Center shall provide, through rules and regulations, the methods and those norms needed to implement Sections 5.10 to 5.13 of this Title, and may require that the taxpayers present any of the evidence needed for that purpose.

Section 5.14. — Products stored for aging; exemption after first year. (21 L.P.R.A. § 5164)

For the purpose of stimulating the improvement of their quality, those products whose quality the Secretary of the Treasury recognizes will improve with aging, pursuant to the provisions of Act No. 53 of May 5, 1945, as amended, are hereby exempted from payment of all property taxes for every fiscal year subsequent to the first fiscal year in which they were stored for aging.

Provided, That in order to grant said exemption the Secretary of the Treasury must submit to the Collection Center the corresponding administrative resolutions issued to that effect.

Section 5.15. — Tax exemption for properties affected by slum clearance and urban renewal projects - Generally. (21 L.P.R.A. § 5165)

Those properties that are wholly or partially affected by housing, slum clearance and urban renewal projects, are hereby exempted from payment of all property taxes, following the procedures provided below.

It shall be understood that properties "affected by housing, slum clearance or urban renewal projects" are those located in areas in which the Planning Board has favorably recommended the development of a housing, slum clearance or urban renewal project. The Planning Board shall serve the Collection Center with a copy of its recommendation which will include a map indicating the affected area.

Section 5.16. — Tax exemption for properties affected by slum clearance and urban renewal projects - Request; notification of rights to owners. (21 L.P.R.A. § 5166)

The owner of a property affected by a housing, slum clearance or urban renewal project, as provided above, may present a request to the Collection Center to avail him/herself of the benefits of Sections 5.15 to 5.21 of this Act.

In order to enjoy such benefits, the taxpayer must file the tax exemption request at the Collection Center, within sixty (60) days following the date in which the Planning Board notifies him/her that his/her property has been affected by a housing, slum clearance or urban renewal project, as provided in this section, or within thirty (30) days following the date of notice of the tax levied on the affected property, whichever of the two situations occurs first. In those cases in which the taxpayer files his/her request beyond the terms indicated above, the Collection Center will grant him/her such benefits prospectively, starting with the year of the current levy if he/she files the request prior to the first of July or at the beginning of the following year if he/she should file after that date.

It will be the duty of the Planning Board to notify the Collection Center of every case in which they have proceeded to freeze a property affected by said housing, slum clearance or urban renewal projects and notify the owners of the properties thus affected of the rights granted them by Sections 5.15 to 5.21 of this Title.

Section 5.17. — Properties that are vacant or not in use which do not produce income. (21 L.P.R.A. § 5167)

Those properties affected pursuant to the provisions of Section 5.16 of this Title, which are vacant or not in use and are not producing income shall be exempt from all property taxes as long as they remain in such a condition.

Section 5.18. — Properties subject to building restrictions. (21 L.P.R.A. § 5168)

Those built-up lots in which the building has been affected in the manner established in Sections 5.15 to 5.16 of this Title, and the building is being used by its owner as his/her own dwelling, shall be exempt from all property taxes for the total appraisal value of the lot and building for tax purposes while the legal building restriction which causes the exemption lasts. In those cases in which the affected or built-up lots are producing income, they will only be exempt from fifty percent (50%) of the property taxes while the legal building restriction which causes the exemption lasts.

Section 5.19. — Change in Determinations. (21 L.P.R.A. § 5169)

The reconstruction, extension or improvement of any structures or the productive use of a property that has availed itself of the benefits of Sections 5.15 to 5.20 of this Title, shall be sufficient cause for the Collection Center to revise its determinations and notify the owner of the property of any change made in said determinations.

Section 5.20. — Revision of Determinations. (21 L.P.R.A. § 5170)

An interested party may make use of the procedure established in Section 3.29 of this Title to revise the determinations of the Collection Center.

Section 5.21. — Start and duration. (21 L.P.R.A. § 5171)

The exemption granted by Sections 5.15 to 5.21 of this Title shall take effect as of the 1st of January of the year in which the property was partially or totally affected as provided by Section 5.21 of this Title if the date of its being affected occurs prior to the first of July of any year, and for the entire time that it remains in such a condition.

Section 5.22. — Tax Exemption for Properties affected by official plans or maps, and plans and programs of the Planning Board. (21 L.P.R.A. § 5172)

All properties that are totally or partially affected by the Official Road and Street Plans or Maps approved by the Planning Board of Puerto Rico, as well as those that are totally or partially affected by the recommendations included by the Planning Board in the Integral Development Plan for Puerto Rico, the Four-Year Investment Program and/or the Land Use Plans established by Act. No. 75 of June 24, 1975, known as "Organic Act of the Puerto Rico

Planning Board", are hereby exempt from the payment of all taxes following all procedures provided below.

Section 5.23. — Request. (21 L.P.R.A. § 5173)

The owner of a totally or partially affected property as provided above, may present a request to the Collection Center to avail him/herself of the benefits of Sections 5.22 to 5.29 of this Title, accompanied by a certification from the Planning Board stating which is the part of the lot affected by the official plans or maps or which is in conflict with the plans and programs recommended by the Planning Board. The Planning Board shall notify the owner of the property thus affected of the rights granted him/her by this Act.

In order for the owner of the property thus affected to be able to enjoy such benefits, the taxpayer must file a tax exemption request at the Collection Center within thirty (30) days following the date of said notice, or within thirty days (30) following the date of the notice of the tax assessment for the affected property, whichever occurs first.

Section 5.24. — Scope and terms of the exemption. (21 L.P.R.A. § 5174)

Those lots affected by the official plans or maps and programs adopted by the Planning Board as indicated above, that are vacant, or unused, and are not producing income, shall be exempt from all property taxes as long as they remain in such a condition and for the duration of the legal building restriction that causes the exemption.

Likewise, those built-up lots which are vacant or unused and are not producing income shall be exempt from all property taxes as long as they remain in such a condition and for the duration of the legal building restriction that causes the exemption.

In all cases of lots and real estate properties with a greater surface area that are only partially affected by government projects, and those where the remainder of the land may continue to be used or is destined for the uses allowed by the Puerto Rico Planning Board, the tax exemption provided by Sections 5.22 to 5.29 of this Title shall be limited exclusively to the appraisal of the portion of the property thus affected as long as it remains in the condition that caused the exemption.

Section 5.25. — Own dwelling; income-producing assets. (21 L.P.R.A. § 5175)

Those edified lots included in Sections 5.22 to 5.29 of this Title, in which the building thus affected is being used by its owner as his/her dwelling, or is producing income, shall be exempt from all property taxes up to fifty percent (50%) of the appraisal value for tax purposes on the lot and the building, as long as the legal restriction to build that causes the exemption persists. Except for newly-constructed multi-level structures devoted exclusively to the vehicle parking business, the properties that produce income because they are being used as lots for the sale of new or used motor vehicles, shall be not be eligible for the benefits of the exemption proposed herein.

Section 5.26. — Property with building restrictions. (21 L.P.R.A. § 5176)

Those lots that are not edified and are producing income, which are affected by the official plans or maps, or by the above-mentioned plans and programs recommended by the Planning Board, shall likewise be exempt from all property taxes up to fifty percent (50%) of the appraisal value for taxable purposes if the project indicated in them were to be developed, and no construction can be done on the remainder of the lot because the planning regulations prohibit it. This exemption shall be allowed for the duration of the legal building restriction that caused the exemption. Except for newly-constructed multi-level structures engaged exclusively to the vehicle parking business, the lots that produce income because they are being used for the sale of new or used motor vehicles or the lots that are being used as vehicles parking areas, shall be eligible for the benefits of the exemption provided herein.

Section 5.27. — Commencement and duration. (21 L.P.R.A. § 5177)

The exemption granted by Sections 5.22 to 5.29 of this Title shall be effective as of the 1st of January of the year in which the property was totally or partially affected, as provided by Section 5.22 of this Title, should the date of the encumbrance occur prior to the first of July of any year and last for the time it remains in the condition that caused the exemption, and it should furthermore comply with the provisions of Act No. 46 of June 26, 1987, in order to qualify for the tax exemption for properties affected by official plans or maps and programs of the Planning Board.

Section 5.28. — Productive use of exempted properties. (21 L.P.R.A. § 5178)

The construction of any structure or the productive use of a lot that has availed itself of the benefits of Sections 5.22 to 5.29 of this Title shall be sufficient reason for the Collection Center to revise its determinations and notify the owner of the property of any change made in said determinations.

Section 5.29. — Revision of determinations. (21 L.P.R.A. § 5179)

An interested party may use the procedure established in Section 3.29 of this Title to revise the determinations of the Collection Center related to Sections 5.22 to 5.29 of this Title.

Section 5.30. — Exemption of assets of persons displaced from their residences by urban renewal, housing or public improvement projects or any government action; In general. (21 L.P.R.A. § 5180)

The property tax corresponding to fiscal year 1992-93 and subsequent fiscal years levied on any property whose appraisal value for tax purposes does not exceed \$10,000 (one hundred thousand (100,000) dollars for fiscal years 2009-10, 2010-2011, and 2011-12) and which was acquired or built to be used as a home by any person displaced from his/her residence in a zone in decay or in a slum as the result of any urban renewal and housing development or public improvements project or any government action, shall be reduced by 75 percent of its

total for a term of ten (10) years, and by fifty (50) percent of its total for an additional term of five (5) years as of the date it is registered in the Property Registry in the name of said person or when said person's ownership is registered.

For the purposes of this section, "acquired or constructed to be used as a home" shall be understood to be any structure that on the 1st of January of each year is being used, or is available for use as a dwelling by its own owner with his/her family, if any; including the lot where said structure is located in the case of property located in the urban zone, and in the case of properties located in the rural zone, the parcel where the structure is located up to a maximum capacity of one cuerda. The condition of being a "person displaced from his/her residence by the development of any urban renewal, housing or public improvement program or by any government action" may be verified only through the presentation to the Collection Center of a certificate to such effects authorized by the Housing Department of Puerto Rico.

The tax reduction granted by the provisions of this section shall cease as soon as the buyer or the builder conveys the property or ceases to reside in the property subject of this reduction, or fails to comply with the zoning regulations in effect.

Section 5.31. — Effect on other taxation provisions. (21 L.P.R.A. § 5181)

The provisions of Sections 5.30 to 5.33 of this Title shall in no way affect the homestead exemption, the property tax exemption granted to veterans of the Armed Forces of the United States, and the discount for prompt payment; but the enjoyment of the benefits granted by Sections 5.30 to 5.33 of this Title and the enjoyment of the tax relief benefits granted to properties used as dwellings are hereby declared incompatible; and the owners of those properties that qualify for the enjoyment of both benefits, may claim only one of said benefits for any fiscal year.

Section 5.32. — Nonprofit organization. (21 L.P.R.A. § 5182)

Property taxes corresponding to the 1992-93 fiscal year and for any subsequent fiscal year on any property in the possession of any non-profit organization duly authorized under the laws of Puerto Rico, to be rented to any person displaced by the development of any urban renewal or housing project or any government action, shall likewise be reduced by seventy-five percent (75%) of its total, provided the property is used and the rental fees established pursuant to the rules and regulations promulgated by the Federal Housing Administration under the provisions of § 221 of the National Housing Act, as amended.

The Collection Center shall apply the tax reduction established by this section only to those dwellings that the Department of Housing of Puerto Rico certifies as destined to be rented to persons displaced as a result of the development of urban renewal or housing projects; that the rental fees fixed do not include any profit for the organization; that said dwellings and fees are subject to the regulations promulgated by the Federal Housing Administration pursuant to § 221 of the National Housing Act, as amended, and that said dwellings are necessary in the public interest.

Section 5.33. — Regulations. (21 L.P.R.A. § 5183)

The Collection Center shall prescribe the rules and regulations needed to comply with Sections 5.30 to 5.33 of this Title.

Section 5.34. — Property acquired by the Commonwealth or by the Government of the United States of America. (21 L.P.R.A. § 5184)

(a) Every owner of property acquired by voluntary purchase or expropriation by the Commonwealth of Puerto Rico and its instrumentalities or by the Government of the United States of America, shall be exempt from paying property taxes when said voluntary purchase or expropriation occurs after the first of January but before the first of July of any year, and subject to the conditions established below.

(b) The only taxes exempt from payment by this section shall be those corresponding to the fiscal year commencing on the first of July after the voluntary purchase or expropriation. (c) Nothing provided herein shall be understood to limit the right of the Collection Center to collect any taxes owed on the property sold or expropriated prior to the exemption granted by this section.

Section 5.35. — Retailers with sales under \$150,000 - Eligibility. (21 L.P.R.A. § 5185)

Any natural or juridical retailer directly engaged in the sale of goods or services to consumers who does not enjoy a larger exemption at present, is hereby exempted from the personal property tax levied by virtue of §§ 5001-5002 of this title, and the real property tax levied by the municipalities of Puerto Rico for an amount equal to the tax levied on said property up to a valuation of fifty thousand dollars (\$50,000); provided, that the annual sales volume of said natural or juridical person's business or businesses has not exceeded one hundred fifty thousand dollars (\$150,000) during the calendar year immediately preceding the fiscal year for which the tax is computed. Natural or juridical persons engaged in the concurrent manufacture and retail sale of goods, shall be entitled to the exemption granted by Sections 5.35 and 5.41 of this Title only for that part of their operations which properly corresponds to retail sales.

Section 5.36. — Payment of previous debts. (21 L.P.R.A. § 5186)

It is hereby established as an indispensable condition for enjoying the benefits of Sections 5.35 and 5.41 of this Title, that the taxpayer not owe any amount of taxes on personal property, on the date that according to the legislation in effect the taxable nature of the property is determined, or that if he/she should owe said taxes, the taxpayer should prepare and obtain the approval of a payment plan ensuring the liquidation of the debt in arrears. As an additional condition for granting the benefits of Sections 5.35 and 5.41 of this Title, should the taxpayer obtain a payment plan pursuant to what is provided herein, he/she must be in compliance with the terms of the aforesaid by the first of January immediately prior to the fiscal year for which he/she requests the tax exemption.

Section 5.37. — Exception. (21 L.P.R.A. § 5187)

For the purpose of Sections 5.35 and 5.41 of this Title, when a payment plan to liquidate a debt in arrears is granted pursuant to the provisions of Sections 5.36 of this title, the provisions of Section 3.46 of this Title shall not apply regarding the application of payments in strict order as they become due.

Section 5.38. — Commitment with bondholders. (21 L.P.R.A. § 5188)

Nothing contained in Sections 5.35 and 5.41 of this Title shall be understood to modify any former action pursuant to the law binding the good faith, credit and taxing power of the Commonwealth or any municipality to a commitment for payment of the principal or interest on any bonds or notes of the Commonwealth or any municipality, nor does it impair the guarantees of commitments of this nature made hereinafter, pursuant to the law. Should the Legislature during any fiscal year discontinue the appropriation provided by § 5189 of this title, the exemption granted by Sections 5.35 and 5.41 of this Title on the payment of property taxes levied by the Commonwealth or the municipalities, as the case may be, shall be suspended for said fiscal year and this provision shall constitute a commitment from time to time, with holders of bonds and notes for payment of which the power to levy taxes of the Commonwealth or of any municipality has been committed.

Section 5.39. — Compensation to municipalities. (21 L.P.R.A. § 5189)

In order to compensate the municipalities for uncollected real and personal property taxes resulting from the tax exemption provided by Section 5.35 of this Title, a sum equal to the uncollected property taxes resulting from the stated exemption granted prior to the July 1, 1991, and levied by the municipalities as of the date of approval of this Act, up to a maximum of two percent (2%), is hereby appropriated annually, from any available funds in the Commonwealth Treasury, to be covered into the funds in trust with the Government Development Bank as provided in Subsection (c) of Section 4 of the Municipal Revenues Collection Act. The Secretary of the Treasury shall remit said sum to the Government Development Bank for its corresponding distribution, once the same has been appropriated.

Section 5.40. — Appropriation to the Special Fund. (21 L.P.R.A. § 51)

A sum equal to the basic uncollected tax as a result of the tax exemption provided by Section 5.35 of this Title, which had been levied by the municipalities as of the date of approval of this Act, up to a maximum of two percent (2%), plus the equivalent of twenty hundredths of one percent (20/100%) for which the municipalities are reimbursed under Act No. 16 of May 16 of May 31, 1960, as amended, [21 L.P.R.A. § 746], is hereby appropriated to the "Special fund for the Amortization and Redemption of General Obligations Evidenced by Bonds and Notes" created by the special tax established by Section 2.02 of this Act, to be covered into the funds in trust with the Government Development Bank, as provided in subsection (c) of Section 4 of the Municipal Revenues Collection Act, chargeable to the Collection Center funds, starting from the date in which the Center receives the transfers

established in Subsection (f) of Section 2.3 of its organic act, and each subsequent year, as long as Sections 5.35 to 5.42 of this Title are in effect. From July 1, 1991, up to the date on which the Collection Center receives the transfers referred to above, the Secretary of the Treasury shall make the corresponding appropriation. Likewise a sum equal to those taxes uncollected as a result of said exemption granted prior to July 1, 1991 shall be appropriated from any available funds in the Commonwealth Treasury. The Secretary of the Treasury shall remit said funds to the Government Development Bank as soon as the same are appropriated.

The funds provided herein shall be applied by the Government Development Bank for the payment of principal and interest on general obligations of the Government of the Commonwealth of Puerto Rico.

Section 5.41. — Fraudulent reports. (21 L.P.R.A. § 5190)

Any person who in order to avail him/herself of the benefits of the tax exemption authorized by Sections 5.35 and 5.41 of this Title, presents any fraudulent statement, evidence or information, or fails to present or conceals the true details that will allow the Collection Center to make a correct computation of the exemption authorized by Sections 5.35 and 5.41 of this Title, shall incur a felony and upon conviction shall be sanctioned with a fine of three thousand dollars (\$3,000) or imprisonment for three (3) years, or both penalties, at the discretion of the court.

Section 5.42. — Rules and regulations. (21 L.P.R.A. § 5191)

The Governing Board of the Collection Center shall adopt the necessary rules and regulations to comply with the provisions of Sections 5.35 and 5.41 of this Title, subject to Act No. 170 of August 12, 1988, as amended, known as "Uniform Administrative Procedures Act of Puerto Rico". The rules and regulations adopted by the Secretary of the Treasury on this matter shall be in effect as long as they do not prescribe.

Section 5.43. — Exemption for lands under intensive agricultural use. (21 L.P.R.A. § 5192)

Sections 5.42 to 5.50 of this Title shall apply to the exemption of all property taxes for lands under intensive agricultural use.

Section 5.44. — Exemption for lands under intensive agricultural use - Definitions. (21 L.P.R.A. § 5193)

For purposes of Sections 5.42 to 5.50 of this Title, the following terms and phrases shall have the meaning stated below:

(a) Secretary of Agriculture — Shall mean the Secretary of the Department of Agriculture of the Commonwealth of Puerto Rico.

(b) Land under intensive agricultural use — Shall mean that land which is specified in Sections 5.42 to 5.50 of this Title during the year they are cultivated using the technical recommendations promulgated for each crop.

(c) Farmer — Shall mean that natural or juridical person who operates one or more agricultural farms for profit.

(d) Single crop farm — Shall mean that specific area where only one product is sowed and cultivated.

(e) Netting — Shall mean interwoven thread devices used for the harvesting of coffee in the coffee plantation.

(f) Farinaceous — Shall mean any of the following products: sweet potatoes, yams, bananas, plantains, tanniers, cassava, apio and any others within that classification the planting of which the Secretary of Agriculture is interested in promoting.

(g) Fruit — Shall mean avocados, citrics, mangos and any others within that classification that the Secretary of Agriculture is interested in promoting its planting.

(h) Vegetables — Shall mean pumpkins, peppers, cabbages, tomatoes and any others within this classification, the planting of which the Secretary of Agriculture is interested in promoting.

Section 5.45. — Exemption for lands under intensive agricultural use - Limits to number of cuerdas. (21 L.P.R.A. § 5194)

Exempt from taxation for the term fixed by Section 5.45 of this Title shall be any land up to a combined total of two hundred (200) cuerdas owned under any legal concept, dedicated by a farmer to the cultivation of coffee planted under the sun, to be harvested with nets; to the cultivation of coffee in the shade under intensive management according to the recommendations of the Department of Agriculture; tobacco; farinacea, fruit; vegetables; pigeon peas; rice, and sugar cane. The minimum and maximum limits of the land dedicated to each crop entitled to the exemption granted by Sections 5.42 to 5.50 of this Title, are established as follows:

Coffee under the sun	1	40
Coffee under the shade	1	40
Tobacco	0.5	10
Sweet Potatoes	0.5	20
Bananas	0.5	25
Yams	0.5	10
Plantains	0.5	40
Tanniers	0.5	10
Cassava	0.5	10
Other Farinacea	0.5	10
Avocados	1	50
Citrics	1	50
Mangos	1	50
Other fruit trees	1	50
Pumpkins	1	20

Peppers	0.5	20
Cabbages	0.5	10
Tomatoes	0.5	50
Other vegetables	0.5	50
Pigeon peas	1	50
Rice	10	200
Sugar Cane	10	200

The total area to which tax exemption shall be granted under the provisions of Sections 5.42 to 5.50 of this Title shall not exceed 130,000 cuerdas.

Section 5.46. — Duration of Exemption. (21 L.P.R.A. § 5195)

The duration of the exemption granted by this title is limited from the time of planting and according to the number of cuerdas which qualify, pursuant to § 5194 of this title, as provided hereinbelow:

A. Fruit	25 years
B. Coffee	15 years
C. Farinaceous	15 years
D. Vegetables	15 years
E. Pigeon Peas	15 years
F. Tobacco	15 years
G. Rice	10 years
H. Sugar Cane	15 years

The exemption shall be granted for the area dedicated to the cultivation of sugar cane annually for a period that shall not exceed fifteen (15) years. In order to be entitled to the exemption, the producers must renew no less than ten percent (10%) of the crops annually.

Section 5.47. — Exemption for lands under intensive agricultural use - Renewal, requirements; recommendations and regulations. (21 L.P.R.A. § 5196)

Although granted for a number of years, the exemption bestowed by Sections 5.42 to 5.50 of this Title shall be renewable every year after an inspection and a certification to the effect that the practices decreed for said purpose by the Department of Agriculture are being followed. In order to qualify for the property tax exemption the area in question shall be planted and cultivated following the recommendations and regulations of the Department of Agriculture.

Section 5.48. — Exemption for lands under intensive agricultural use - Filing of the official form; compliance with requirements. (21 L.P.R.A. § 5197)

The right to tax exemption granted by Sections 5.42 to 5.50 of this Title must be exercised by filing the official form provided by the Collection Center for that purpose at the

Department of Agriculture. It shall be an indispensable requirement for granting the annual tax exemption established herein, that the Secretary of Agriculture certify on that form that the applicant meets all the requirements established by the Department of Agriculture by regulations and that he/she is a "bona fide" farmer pursuant to the regulatory provisions adopted by the Secretary of Agriculture for such a purpose.

The exemption granted herein shall be applied on or before December 31 of the calendar year in which the crop was planted. Said planting shall be certified by the Secretary of Agriculture as meeting all the requirements established by said Department. The exemption shall be in effect as of the first of January prior to the date in which said application was filed. The exemption granted herein shall cease upon noncompliance with the provisions of Sections 5.42 to 5.50 of this Title or the requirements established by the Department of Agriculture through regulations; and the land shall begin to pay taxes in the calendar year in which the conditions and requirements necessary for the enjoyment of said exemption cease to exist.

When the crop is abandoned or when the land exempted for intensive agricultural use is segregated or urbanized, the corresponding taxes shall be collected from the date the use for which the right to exemption, was granted.

Section 5.49. — Exemption for lands under intensive agricultural use - Regulations. (21 L.P.R.A. § 5198)

The Secretary of Agriculture is hereby empowered to establish through regulations the requirements every applicant must meet and the norms they must comply with in order to continue enjoying the exemption granted by Sections 5.42 to 5.50 of this Title.

Section 5.50. — Exemption for lands under intensive agricultural use - Coordination between the Secretary of Agriculture and the Collection Center. (21 L.P.R.A. § 5199)

The Secretary of Agriculture shall coordinate the implementation of Sections 5.42 to 5.50 of this Title with the Collection Center and establish the mechanisms needed for processing the farmers' applications, the inspection of farms, the evaluation of crops and the certification stating that the granting or the denial of the exemption established herein is in order.

Section 5.51. Exemption for lands under intensive agricultural use - Compensation to municipalities. (21 L.P.R.A. § 5200)

The Secretary of the Treasury is hereby authorized to compensate the municipalities for the total taxes not collected by virtue of Sections 5.42 to 5.50 of this Title, chargeable to the General Fund of the Commonwealth Treasury. Commencing with fiscal year 1992-93 and for subsequent years, the amount to be transferred to the Collection Center shall not exceed the total transferred in fiscal year 1991-92.

TITLE VI. — SYSTEM OF SELF-DETERMINATION AS TO THE PERSONAL PROPERTY TAX. [21 L.P.R.A., Subtitle 7, Chapter 249]

Section 6.01. — Establishment. (21 L.P.R.A. § 5201)

A system of self-determination as to the tax levied on personal property is hereby established and provision are made for the judicial and administrative procedures as indicated hereinbelow.

Section 6.02. — Definitions. (21 L.P.R.A. § 5202)

- (a) Taxpayer — Means every natural or juridical person subject to the taxes levied by law.
- (b) Deficiency —
 - (1) Means the amount by which the property tax levied by law surpasses the excess of:
 - (a) The sum of: (i) The amount declared as taxes by the taxpayer in his/her tax return, if he/she filed a tax return and declared in the same any amount as tax, plus (ii) the previously appraised amounts or those collected unappraisal, as a deficiency, over
 - (b) the total reductions made as defined in subsection (b)(2)(B) of this section.
 - (2) Rules for the application of clause (1) For purposes of this subsection:
 - (A) The tax levied by law and the tax declared in the tax return shall both be determined without considering excess payments credited pursuant to subsection (d) of Section 6.05 of this Title.
 - (B) The term "reduction" means that part of a reduction, credit, reimbursement or other refund made because the tax imposed by law was less than the excess of the amount specified in clause (1)(A) of this subsection over the total of previously made reductions.
- (c) Appraised — When used in relation to the tax pending levy and notification, means the personal property tax that must be set for collection by the Collection Center.
- (d) Valuation — Means the total value of the personal property on which the tax will be levied.
- (e) Market value — Means the price that a person wishing to purchase would be willing to pay for a property to another wishing to sell, both acting with complete freedom and with full knowledge of all the factors subject to valuation, if the aforesaid should be put up for sale in a free market. In the case of merchandise for sale during the regular course of business of a merchant, trader or manufacturer, market value means what is provided by § 5086 of this title. The market value of property includes, among others, the excise taxes paid or pledged, freights, transport and insurance.
- (f) Appraised value — Means the value the taxpayer and/or the Collection Center has assigned to the personal property by the first of January of each year.
- (g) Book value — Means the cost of acquisition or production of the personal property adjusted for depreciation, obsolescence or other factors as reflected in the accounting books pursuant to generally accepted accounting principles.
- (h) Volume of business — The term volume of business means the gross income received or earned for rendering any service, for the sale of any goods, or for any other business activity.

Section 6.03. — Income Tax Return Personal Property. (21 L.P.R.A. § 5203)

(a) Persons subject to payment of personal property taxes. — Any natural or juridical person engaged in an industry or business who by the first of January of each year is the owner of personal chattels used in his/her industry or business even though it may be leased to another person, or is held by him/her in a fiduciary capacity, will be subject to the personal property tax levied by law and shall annually render an income tax return on personal property to the Collection Center, on the tax return form provided by said Center for such a purpose. When the owner of the property is domiciled outside Puerto Rico, or cannot be located or identified, this responsibility shall rest on the person who holds said personal chattels. Said return shall be filed under penalty of perjury. In the case of corporations the return must be sworn by the president, vice-president or any other principal officer and by the treasurer or deputy treasurer and in the case of a partnership, by a managing partner.

In the case of corporations whose gross income exceeds three million dollars (\$3,000,000), the tax return shall be sworn by the president, vice-president or any other chief executive official, or by the treasurer or vice-treasurer, and in the case of a partnership by a managing partner.

(b) Persons not subject to payment of taxes. — Individuals, partnerships or associations that as of January 1 of each year own, or have under their exclusive control tax exempt property as listed in §§ 5151 and 5185 of this title shall not be subject to taxation nor will they be bound to file a tax return on personal property. Provided, That those natural or juridical persons who as of January 1 of each year own, or have under their control tax exempt or exonerated property as established by this Act, as well as property subject to taxation, shall be bound to file the tax return on personal property which shall include the exempt and exonerated property as well as that property which is subject to taxes.

(c) Revised tax returns and tax returns enclosed with financial statements audited by certified public accountants —

Every corporation, except for non profit corporations and without capital stock, and/or for [profit] corporations whose volume of business does not exceed three million dollars (\$3,000,000) a year, must submit their tax return revised by a certified public accountant licensed by the Commonwealth of Puerto Rico enclosed with financial statements (balance sheet, income and expense statement, cash flow statement and the corresponding notations to the financial statements) corresponding to the corporation's last year of operations.

(d) The Collection Center shall annually indicate as part of the instructions on the tax return to be rendered, the corresponding total percentages of Commonwealth or municipal property taxes.

Section 6.04. — Valuation and computation of the tax. (21 L.P.R.A. § 5204)

Every person bound to file a tax return on personal property shall include in it all of his/her personal property subject to taxes according to the law and shall compute the tax on the basis of its book value by the 1st of January of each fiscal year for which the tax is computed. When the book value of the personal property is minimal, as established by regulations, the

same shall be appraised for its estimated residual value. Said residual value shall fluctuate between ten percent (10%) and twenty percent (20%) of the original cost of the property.

All of the above notwithstanding, if the book value of the personal property does not reasonably reflect its market value, the same shall be appraised at its market value.

Section 6.05. — Date for filing the tax return and for payment of taxes; excess payments; ex officio tax return. (21 L.P.R.A. § 5205)

(a) Date for filing the tax return or the extension and for payment of taxes —

The personal property tax return or the extension must be filed at the Collection Center with the full payment on or before the 15th of May of each year. In the event that full payment of the self-determined tax is received on or before the 15th of May, the taxpayer shall be entitled to a five percent (5%) discount on the self-determined tax.

(b) Automatic extension — Taxpayers shall be granted an automatic extension for filing the tax returns provided they comply with the rules and regulations prescribed by the Collection Center for granting said extension. In the case of taxpayers other than corporations, the automatic extension shall be granted for a period of thirty (30) days from the date prescribed by law for filing the tax return. Corporations shall be entitled to an automatic extension of ninety (90) days from the date prescribed by law for filing.

(c) Additional extension — In the case of taxpayers other than corporations, the Governing Board of the Collection Center may grant a reasonable extension under the rules and regulations prescribed by it, for filing the return in addition to the automatic extension. This additional extension shall not exceed sixty (60) days, except in the case of individuals who are outside the country, in which case the additional extension shall not exceed one hundred and fifty (150) days.

(d) Excess payments — In those cases in which the taxpayer makes a payment in excess of the tax levied by this Title, the Collection Center is authorized to credit the amount of such a payment against the pending real property tax. Should the taxpayer not owe any real property tax, the Collection Center may reimburse the remainder or credit it against the tax payable the following year, at the taxpayer's option.

(e) Ex officio tax return — If any person bound to file a personal property tax return fails to file the same on the date prescribed by this Act, the Collection Center shall prepare the return form on the basis of the information it can obtain through an investigation. Any return thus made and signed by the Collection Center or by any official or employee on whom it delegates shall be prima facie correct and sufficient for all legal purposes.

Section 6.06. — Deficiencies, Notification; administrative and judicial recourses. (21 L.P.R.A. § 5206)

(a) The Collection Center may examine and determine the correct amount of taxes at any time after the personal property tax return has been filed, regardless of whether the tax has been paid or not.

(b) Should the Collection Center determine in the case of any taxpayer that there is a deficiency regarding the tax levied by this title, whether it was because the taxable value of the property was determined incorrectly, or because property has been omitted, or for any

other reason, the Collection Center shall notify the taxpayer of said deficiency by certified mail. The taxpayer may request a reconsideration of said deficiency and an administrative hearing of the same within thirty (30) days following the mailing date of the notice. Should the taxpayer not request a reconsideration in the manner and within the term provided herein, or if after having made the request the notified deficiency is confirmed in whole or in part, the Collection Center shall notify its final decision to the taxpayer by certified mail, whatever the case may be, stating the total of the bond the taxpayer must present in favor of, before, and subject to the approval of the Collection Center, should he/she wish to appeal to the Court of First Instance against said determination of deficiency. The bond shall not exceed the total of the notified deficiency plus interest thereon computed for the period of one additional year at ten percent (10%) per annum.

(c) Should the taxpayer not agree with the final determination of deficiency served to him/her by the Collection Center, he/she may appeal to the Court of First Instance within the term of thirty (30) days from the mailing date of the Collection Center's final determination, provided said taxpayer:

- (1) Pays said deficiency under protest; or
- (2) pays the part of the deficiency with which he/she is in agreement, and posts a bond for the amount with which he/she is not in agreement plus interest for one additional year on the unpaid difference at the rate of ten percent (10%) per annum; or
- (3) posts a bond for the total amount of the deficiency should he/she be in disagreement with said total amount, plus interest thereon for one additional year at the rate of ten percent (10%) per annum, and
- (4) in any of the cases the bond shall be posted in favor of the Collection Center, before it and subject to its approval.

(d) Should the taxpayer not file suit before the Court of First Instance against a final determination of deficiency, it will be appraised and be paid through notice and requirement of the Collection Center or its representative.

(e) In the cases in which the taxpayer files suit before the Court of First Instance against a final determination of deficiency served in the manner provided in this section, the final judgments of the Court of First Instance may be appealed in the manner and within the terms provided by law to appeal the final judgments of the Court of First Instance before the Supreme Court, also subject to the additional requirements imposed by Section 6.07 of this title. In those cases in which the judgment of the Court of First Instance determines that a deficiency does exist, an order for filing a computation of the tax will be issued and said judgment shall not be deemed final and the term for an appeal shall not begin to count for the parties but from the date the notice to the taxpayer and to the Collection Center concerning the Court of First Instance's resolution approving the computation of the tax determined by said court is filed in the record.

(f) No appraisal of a deficiency concerning to the tax levied by law shall be made, nor shall a legal collection procedure or a court procedure for its collection be initiated before the notice of the final determination mentioned in this section has been sent to the taxpayer, nor until the term granted the taxpayer by this title to appeal before the Court of First Instance against said final determination has expired, and if an appeal has been filed before the court of First Instance, until the judgement of that court is final.

(g) The taxpayer shall be entitled at any time to waive the restrictions concerning the appraisal and collection of the total or of any part of the deficiency, through a written notice filed with the Collection Center as provided in this section.

Section 6.07. — Collection after appeal before the Court of First Instance. (21 L.P.R.A. § 5207)

(a) General rule If the taxpayer were to appeal before the Court of First Instance against a final determination of deficiency and said court were to issue a judgment declaring it has no jurisdiction to take cognizance of the matter or to determine that a deficiency does exist, the deficiency determined by the court, as the case may be, shall be appraised once the judgment is firm and final, and it shall be paid through notice and requirement of the Collection Center or its representative. No part of the amount determined as a deficiency by the Collection Center, but refused as such by a final and firm judgment of the Court of First Instance, shall be appraised or collected through a legal collection procedure or through a court procedure, with or without an appraisal.

(b) In case of appeal When a taxpayer appeals the judgement of the Court of First Instance determining a deficiency, he/she shall be bound to pay the total deficiency so determined within the term for an appeal, and noncompliance with said payment requirement, except as provided below in subsections (c) and (d) of this section, shall deprive the Supreme Court of the power to take cognizance of the appeal on its merits. Should the Supreme Court resolve that the deficiency determined by the Court of First Instance or part thereof does not exist, and the taxpayer has paid said deficiency partially or totally upon appeal, the Collection Center shall proceed to reimburse the proper amount, charged to any of its available funds, pursuant to the Supreme Court judgment, plus the annual interest provided by law on the total to be reimbursed computed from the date of payment. Should the Collection Center appeal the judgment of the Court of First Instance determining that no deficiency exists in whole or in part, or if the taxpayer has appealed without having paid the total tax, in any of these cases in which the Supreme Court judgment is favorable to the Collection Center, the deficiency determined on appeal or the unpaid part thereof shall be appraised and shall be paid through notice and requirement of the Collection Center.

(c) In the case of a taxpayer who has appealed the judgment of the Court of First Instance determining a deficiency and who cannot comply with the requirement of paying the deficiency, or can only pay part of the deficiency, the Court of First Instance may direct that the appeal follow its course until a final disposition of the same on its merits has been reached without the total payment of said deficiency; provided, that the appeal involves a substantial matter, and subject to that which is provided below. In such a case, the taxpayer shall file in the Court of First Instance a sworn petition together with his writ of appeal stating the reasons why he/she cannot pay the deficiency in whole or in part, and the grounds for the basis of the allegation that the appeal involves a substantial matter. Should the Court of First Instance determine that the taxpayer cannot pay the deficiency, or can only pay a part thereof, and that the appeal involves a substantial matter, it shall direct, in lieu of the total payment, as the case may be:

(i) That the appeal follow its course under the bond posted in order to resort to the Court of First Instance should it be sufficient to answer for the deficiency which is definitely determined and for the interest thereof; or

- (ii) that the taxpayer post a new bond to the satisfaction of the Court in an amount sufficient to answer for the deficiency and the interest thereof for a reasonable period; or
- (iii) that the taxpayer pay part of the deficiency and secure the unpaid portion in any manner previously provided in clauses (1) and (2) of this subsection.

(d) Should the Court of First Instance determine that the taxpayer is able to pay the deficiency, or part thereof, or that he/she must post a bond, the taxpayer shall proceed with the payment of the deficiency, or the determined part thereof, or post the bond within the term of thirty (30) days from the date the resolution of the Court of First Instance to that effect was served, and the payment of the deficiency, or of the determined part, or the posting of the bond within said term, will perfect the appeal for all legal purposes. Should the taxpayer not pay within the said thirty (30)-day term, nor not post the required bond, the Supreme Court will not have the power to hear the appeal on its merits and the aforesaid will be dismissed. The resolutions of the Court of First Instance dictated under the provisions of subsections (c) and (d) of this section shall not be appealable although any party may request through a writ of certiorari that the Supreme Court review same within ten (10) days from the date of notice of any of the aforesaid resolutions.

Section 6.08. — Jurisdiction of the Court of First Instance to increase it; additional amounts or additions to the tax. (21 L.P.R.A. § 5208)

The Court of First Instance shall have the power to redetermine the correct amount of the deficiency even though the amount thus determined is greater than the total deficiency notified by the Collection Center in the form provided by Sections 6.06 of this Title, and to determine if any additional amounts should be levied or added to the tax, provided the Collection Center or its representative files a claim to that effect at any time prior to sentencing.

Section 6.09. — Additional deficiencies. (21 L.P.R.A. § 5209)

If the Collection Center has sent a notice of deficiency to the taxpayer by certified mail as provided by Sections 6.06 of this Title, and the taxpayer has resorted to the Court of First Instance within the term and in the manner provided, the Collection Center shall not be entitled to determine any additional deficiency regarding to the same taxable year, except in the case of fraud, and except as provided by Section 6.08 of this Title (concerning the power of the Court of First Instance to determine deficiencies).

Section 6.10. — Mathematical error. (21 L.P.R.A. § 52)

Should the taxpayer be notified that due to an mathematical error which appears on the tax return, he/she owes taxes in excess of what was declared on the tax return, and that an appraisal of the tax based on what should have been the correct total of the tax, had it not been for the mathematical error, has been made or will be made, such notification shall not be considered as a notification of deficiency for purposes of this section or Sections 6.06 of this Title, and the taxpayer shall not be entitled to file suit before the Court of First Instance

against said notice, nor will such an appraisal or collection be prohibited by the aforementioned provisions.

Section 6.11. — Extension for payment. (21 L.P.R.A. § 5211)

When it is shown to the satisfaction of the Collection Center that the payment of said deficiency on the date prescribed for it will be unduly onerous for the taxpayer, the Collection Center may grant an extension for the payment of the deficiency for a period that shall not exceed eighteen (18) months, and in exceptional cases, for an additional period that shall not exceed twelve (12) months. Should an extension be granted, the Collection Center may require the taxpayer to post a bond for that amount which is not greater than double the amount of the deficiency and with those sureties that the Collection Center deems necessary to assure payment of the deficiency according to the terms of the extension. Interest at ten percent (10%) shall be collected in every extension granted by this section. No extension whatsoever shall be granted if the deficiency is due to negligence, intentional contempt of the rules and regulations, or fraud with intent to avoid the tax.

Section 6.12. — Address for serving notice. (21 L.P.R.A. § 5212)

In the absence of a notice to the Collection Center regarding the existence of a fiduciary relationship, the notice of a deficiency with respect to the tax levied by this Title will suffice if it has been sent to the taxpayer by mail to his/her last known address even when said taxpayer is deceased or is legally incompetent or, in the case of a partnership, even when it no longer exists.

Section 6.13. — Service of summons and requirements. (21 L.P.R.A. § 5213)

The summons and requirements issued by the Collection Center through any of its officials, employees or authorized representatives under the provisions of this Title, to appear, testify or produce books, papers or evidence, shall be served pursuant to the provisions of Act No. 27 of March 20, 1951 [32 L.P.R.A. §§ 3171-3173].

Section 6.14. — Appraisal; taxes in jeopardy - . (21 L.P.R.A. § 5214)

(a) Should the Collection Center at any time believe that the collection of the tax levied by this title will be compromised by a delay or find that the taxpayer intends to remove his/her properties from the jurisdiction of the Commonwealth of Puerto Rico, or conceal his properties in Puerto Rico, or perform any other act which tends to impair or partially or totally annul the collection of the taxes corresponding to any year, it will proceed to immediately appraise the taxes and deficiencies and notify and demand payment thereof along with all interest, penalties, additional amounts, and additions to the tax provided by this Title, regardless of the provisions in subsection (f) of Sections 6.06 of this Title.

(b) Bond to suspend collection — When a tax or deficiency is appraised pursuant to subsection (a) of this section, within ten (10) days following the notice and requirement for the payment thereof by the Collection Center, the taxpayer may obtain the suspension of the

collection of all or any part of the total appraised herein by posting a bond with the Collection Center, for that amount (not greater than the amount with regard to which the suspension of the collection has been requested plus interest thereon computed for the term of one additional year at ten percent (10%) per annum) and with the surety the Collection Center may deem necessary. Said bond shall answer for the payment of that part of the total the collection of which has been thereby suspended, and which is not reduced:

(1) By a final determination of the Collection Center regarding the deficiency should the taxpayer not appeal said final determination before the Court of First Instance, or, if having appealed, the Court pronounces judgment declaring itself without the power to consider the matter once the judgment is final, or

(2) through a final judgment of the Court of First Instance on its merits.

(c) Bond under Sections 6.06 — When an appeal is made to the Court of First Instance against the final determination of the Collection Center concerning a deficiency appraised according to subsection (a) of this section, the taxpayer shall not have to post the bond required by subsections (b) and (c) of Sections 6.06 of this Title, if in the judgement of the Collection Center or of the Court the bond posted under subsection (b) of this section secures the litigated tax until complete payment is made thereof.

(d) Deficiency determined by the Court of First Instance — Should an appeal be made to the Court of First Instance against the final determination of the Collection Center about a deficiency appraised under subsection (a) of this section, then, as soon as the amount that should have been appraised is determined by the final judgment of the court, any unpaid amount the collection of which has been suspended by the bond shall be collected through a notice and requirement of the Collection Center and any remainder of the appraisal shall be cancelled. Should the total already collected exceed the amount determined as that amount which should have been appraised, said excess shall be credited or reimbursed to the taxpayer as provided in subsection (d) of Section 6.05 of this Title without having to file a claim for such an excess.

(e) In case of appeal — The applicable provisions of Section 6.07 of this Title shall govern in case the taxpayer should appeal the judgment of the Court of First Instance on the merits of a deficiency which has been appraised under subsection (a) of this section.

(f) In the absence of an appeal — Should the taxpayer not file suit before the Court of First Instance against the final determination of the Collection Center on a deficiency appraised under subsection (a) of this section, any unpaid amount the collection of which has been suspended by the bond must be paid through notice and requirement of the Collection Center together with interest at ten percent (10%) per annum computed from the date of the appraisal made under subsection (a) of this section until the date of the notice and requirement made under this subsection.

(g) Claims for reductions — No claim for reduction shall be presented with respect to any appraisal related to the taxes levied by law.

Section 6.15. — Prior to deficiency. (21 L.P.R.A. § 5215)

Should an appraisal under Section 6.14 of this Title be made before the taxpayer has been notified under Sections 6.06 of this Title of any determination with respect to the deficiency which said appraisal refers to, the Collection Center shall notify the taxpayer of said

deficiency, pursuant and subject to the provisions of Sections 6.06 of this Title, within thirty (30) days following the date of its appraisal.

Section 6.16. — Scope and total. (21 L.P.R.A. § 5216)

(a) Appraisal after notice of deficiency — An appraisal under Section 6.14 of this title made after the taxpayer has been notified of the deficiency subject to such appraisal, pursuant to the provisions of Section 6.14 above will in no way affect the procedure established in Sections 6.06 of this Title nor shall it deprive the taxpayer of the resources provided therein with respect to said deficiency. When the appraisal is made after an administrative hearing concerning the deficiency subject to such an appraisal has been held, but prior to the Collection Center's notice of its final decision, it shall notify the taxpayer as to said final determination within thirty (30) days following the date of said appraisal. Furthermore, when the appraisal of a deficiency under § 5214 of this title is made after sentencing by the Court of First Instance on the merits of said deficiency, the appraisal may only be made with respect to the amount of the deficiency determined by the judgment of the Court.

(b) Amount to be appraised prior to the Court of First Instance's opinion — The appraisal referred to in Section 6.14 of this Title may be made with respect to a larger or smaller deficiency than that which has been notified to the taxpayer under Sections 6.06 of this Title, without considering the provisions of Section 6.09 of this title which prohibit the determination of additional deficiencies, or whether an appeal has or has not been filed before the Court of First Instance with regard to the notified decision. The Collection Center or its representative may reduce such an appraisal or any unpaid part thereof to the limit to which it considers the total amount of the appraisal to be excessive, at any time before the decision of said court is issued. The Collection Center shall notify the Court of First Instance of the amount of said appraisal or reduction should the appeal be filed before said court prior to the appraisal or subsequently filed, and the court shall have jurisdiction to redetermine the total amount of the deficiency and of all the amounts appraised at the same time with regard thereto.

Section 6.17. — Bankruptcies and receiverships. (21 L.P.R.A. § 5217)

(a) Immediate appraisal — When any taxpayer is adjudicated as bankrupt in any bankruptcy procedure or when a trustee is appointed for any taxpayer in any judicial procedure, any personal property taxes pending payment (together with interest, penalties, additional amounts and additions to the tax provided by this Title), as well as any deficiency established by the Collection Center regarding to the tax levied by this title on said taxpayer, will be appraised immediately if the deficiency had not been appraised until then pursuant to the law. In those cases the trustee shall notify the Collection Center of the adjudication of bankruptcy or of the receivership, and the term of prescription for the appraisal shall be suspended for the period comprising the date of adjudication of bankruptcy or from the beginning of the receivership for up to thirty (30) days after the trustee's notice has been received by the Collection Center; but the suspension under this provision shall in no case whatsoever be for a period greater than two (2) years. The claims for the deficiency and for said interest, additional amounts or additions to the tax may be presented, to be decided pursuant to the

law, to the court before which the bankruptcy or receivership procedure is pending, regardless of whether the procedures pertaining to any appraised deficiency are pending before the Court of First Instance.

(b) Unpaid claims; extension for payment and interest — Any tax approved in a bankruptcy or receivership procedure that was not paid by the taxpayer may be collected through legal collection proceedings and attachment, within a period of five (5) years after the termination of said bankruptcy or receivership procedure. An extension for the payment of said taxes shall not exceed eighteen (18) months, and in exceptional cases shall be granted for an additional period that shall not exceed twelve (12) months. Were an extension to be granted, the Collection Center may require that the taxpayer post a bond for an amount no greater than double the amount of the deficiency with those guarantors deemed necessary by the Collection Center to secure payment of the deficiency according to the terms of the extension. No extension whatsoever shall be granted if the deficiency is due to negligence, to willful disregard for the rules and regulations or to fraud with the intent to evade taxes. Interest shall be collected at a rate of ten percent (10%) per annum on the amount of the extended tax. Were the amount of the extended tax not paid according to the terms of the extension, interest shall be collected on the unpaid amount at the rate of ten percent (10%) per annum as part of the tax for the period from the date fixed by the terms of the extension until the same is paid.

Section 6.18. — Prescription - Term for appraisal and collection. (21 L.P.R.A. § 5218)

The Collection Center shall have a term of four (4) years, from the date the [taxpayer] filed his/her tax return, to review the personal property tax return, the valuation of the properties, the tax computation made by the taxpayer, and to determine the correct tax to be paid, and no court procedure for the collection of said taxes shall commence after said period has expired. Provided, That for purpose of this section, a tax return filed prior to the last day prescribed by this title for filing the same shall be deemed as filed on the last day.

Section 6.19. — Prescription - Exceptions. (21 L.P.R.A. § 5219)

(a) Omission of assets — In case [assets] valued at twenty five percent (25%) or more of the taxable value were omitted in the tax return, the tax may be appraised by the Collection Center, or a court procedure may be commenced for the collection of said tax without an appraisal, within a period of six (6) years after the tax return was filed.

(b) Fraud or lack of a return — In case a false or fraudulent return is filed with the intention of evading taxes, or in case the return is not filed, the tax may be appraised by the Collection Center, or a court procedure for the collection of said tax without an appraisal may be commenced at any time.

(c) Waiver — When prior to the expiration of the statute of limitations established in Section 6.18 § 5218 of this title or subsection (a) of this section for the revision of the personal property tax return, the valuation of the properties, the tax computation made by the taxpayer, and for the collection of said tax, the Collection Center and the taxpayer have agreed in writing to appraise the personal property and the tax after such a period, the tax may be appraised at any time prior to the expiration of the term agreed to. The term thus

agreed to may be extended by successive written agreements made prior to the expiration of the term previously agreed to.

(d) Collection after appraisal — When the appraisal of the personal property and the tax levied by this title has been made by the Collection Center within the proper prescription term for the same, said tax may be collected through legal proceedings for collection in court, provided they commence:

- (1) Within seven (7) years after the appraisal of the tax, or
- (2) prior to the expiration of any term for said collection agreed to in writing by the Collection Center and the taxpayer before said seven (7)-year term has expired. The term thus agreed to may be extended by successive agreements made prior to the expiration of the term previously agreed upon.

Section 6.20. — Prescription - Stay of proceedings. (21 L.P.R.A. § 5220)

The statute of limitations for the appraisal by the Collection Center and for the beginning of a legal collection procedure or of a court procedure for the collection of any deficiency, shall be stayed for the period during which the Collection Center is estopped from making the appraisal or from beginning the legal collection procedure or the court procedure (and in every case, if there is an appeal to the Court of First Instance until the decision of the court is final) and for the sixty (60) days after the notice of the final deficiency determination is sent by certified mail as provided in Sections 6.06 of this Title.

Section 6.21. — Interest, surcharges, additions and tax penalties. (21 L.P.R.A. § 5221)

When a taxpayer fails to pay the personal property tax levied by law within the term fixed for it in this Title, the following interest, surcharges and additions to the tax shall be imposed, in addition to and as part of the unpaid tax:

(a) Declared tax. —

(1) General rule When the amount determined by the taxpayer to be the tax levied by this title or any part thereof is not paid on or before the date prescribed for its payment, the interest on the unpaid amount shall be collected as part of the tax at the rate of ten percent (10%) per annum from the date prescribed for its payment until the tax is paid.

(2) If an extension is granted When an extension is granted to pay the amount thus determined by the taxpayer to be the tax and the amount whose payment date has been extended, and the interest thereon as determined under § 5211 of this title have not been fully paid before the expiration of the term of the extension, then, in lieu of the interest provided in clause (1) of this subsection, interest shall be collected at a rate of ten percent (10%) per annum on the unpaid amount from the date of expiration of the extension until the same is paid.

(b) Interest on deficiencies. —

(1) General rule — Interest on the amount determined to be a deficiency will be appraised at the same time as the deficiency and shall be paid through notice and requirement of the Collection Center and collected as part of the tax at the rate of ten percent (10%) per annum, from the date prescribed for the payment of the tax until the date the deficiency is appraised. In the case of a waiver of the restrictions on the appraisal

and collection of the deficiency under Sections 6.06 of this Title, said interest shall be appraised, paid and collected for up to the thirtieth (30th) day following the date said waiver is filed or until the day the deficiency is appraised, whichever comes first. If any portion of the appraised deficiency is not to be collected because of a prior tax payment, the proper adjustment shall be made with respect to the interest on that portion.

(2) Unpaid deficiencies — When a deficiency or any interest or additional amounts appraised concerning the same, or any addition to the tax under this section are not paid in full within ten (10) days following service of notice and requirement from the Collection Center, interest on the unpaid amount shall be collected as part of the tax at a rate of ten percent (10%) per annum, from the date of such a notice and requirement until the same is paid.

(c) Additional surcharge — In every case in which the addition of interest pursuant to subsection (a) and subsection (b)(2) of this section is proper, the following surcharges shall also be collected as part of the tax and in the same manner as the interest is collected:

- (1) For a delay in payment of thirty (30) days or less there will be no surcharge;
- (2) for a delay in payment in excess of thirty (30) days but not in excess of sixty (60) days, five percent (5%) of the unpaid amount; or
- (3) for a delay in payment in excess of sixty (60) days, but not in excess of ninety (90) days, ten percent (10%) of the unpaid amount, or
- (4) for a delay in payment in excess of ninety (90) days, fifteen percent (15%) of the unpaid amount.

This subsection shall not apply in cases in which an extension has been granted for the payment of the tax, the terms of which have been complied with.

(d) Failure to file tax returns; additions — In the event the required tax return is not filed within the term prescribed by § 5205 of this title and unless it is shown to the satisfaction of the Collection Center that such an omission was due to a reasonable cause beyond the control of the taxpayer and not to the willful carelessness of the taxpayer, there shall be added to the tax:

- (1) Five percent (5%) if the omission is for not more than thirty (30) days, and
- (2) an additional five percent (5%) for each period or fraction of an additional thirty (30)-day period while the omission persists, without exceeding a total of twenty-five percent (25%).

The amount thus added to any tax will be collected at the same time, in the same form and as part of the tax, unless it has been paid prior to the discovery of the omission, in which case the amount thus added will be collected in the same manner as the tax.

(e) Penalty for negligence — Should any part of any deficiency be due to negligence or intentional disregard of the rules and regulations but without intent to defraud, ten percent (10%) of the total amount (in addition to said deficiency) shall be appraised, collected and paid in the same way as if it were a deficiency together with the corresponding interest.

(f) Penalty for fraud — Should the failure to file the tax return, or filing a false or fraudulent one, be due to fraud with intent to evade the tax, one hundred percent (100%) of said amount shall be added to the amount of the deficiency appraised by the Collection Center.

Section 6.22. — Publication of tax returns - Inspection, restricted. (21 L.P.R.A. § 5222)

- (a) Tax returns filed under this Title on which the tax has been revised or determined by the Collection Center shall constitute public documents, however, they shall not be subject to inspection, except as provided below.
- (b) Tax returns shall be subject to inspection only by regulatory provision of the Governing Board of the Collection Center after showing just cause therefor.
- (c) The Governing Board of the Collection Center shall prescribe the regulatory provisions under which the inspection of the tax returns may be carried out.
- (d) Whenever a tax return is subject to inspection by any person, a certified copy of the same will be issued to said person, upon their request, under the rules and regulations prescribed by the Governing Board of the Collection Center which will fix a reasonable fee to furnish said copy.

Section 6.23. — Publication of tax returns - Upon request of shareholders. (21 L.P.R.A. § 5223)

All bona fide holders of registered shares who own one percent (1%) percent or more of the shares issued by any corporation shall be allowed to examine the personal property tax returns of said corporation and its subsidiaries when requested of the Collection Center.

Section 6.24. — Publication of tax returns - Information requested by the Committees of the Legislature. (21 L.P.R.A. § 5224)

- (a) By request of the Committee on Finance of the House of Representatives, of the Committee on Finance of the Senate, of a Select Committee of the Senate or the House of Representatives especially authorized to inspect tax returns by a Senate or House Resolution, or of a Joint Committee thus authorized by a Concurrent Resolution, the Collection Center shall provide said Committee while in executive session with any information of any nature included or stated in any tax return.
- (b) Any of these committees acting directly as a committee, or through those investigators appointed or designated thereby, shall be entitled to inspect any or all tax returns on those occasions and in the manner it so determines.
- (c) Any information thus obtained by the Committee may be submitted to the Senate or to the House of Representatives, as the case may be.

Section 6.25. — Publication of tax returns - Taxpayer lists at the Internal Revenue Collection Centers. (21 L.P.R.A. § 5225)

The Collection Center shall cause lists to be prepared and be made available, annually, for public inspection, in the manner determined by it, at the Internal Revenue Collection Centers of each municipality and at any other location provided by it, containing the name and

mailing address of each person who has filed a personal property tax return in that municipality and the amount of the tax declared.

Section 6.26. — Publication of tax returns - Information requested by Municipal Treasurers. (21 L.P.R.A. § 5226)

By request of the municipal treasurers, the Collection Center shall provide them with that information in the tax returns filed under this title necessary to determine the license fee applicable to a merchant, the imposition and collection of which is authorized by Act No. 113 of July 10, 1974, [21 L.P.R.A. §§ 651 et seq.] known, as "Municipal License Act."

Section 6.27. — Publication of tax returns - Disclosure of information. (21 L.P.R.A. § 5227)

It shall be illegal for any collector, agent, inspector or other official or employee of the Collection Center or its authorized representative, to disclose or make known information or data stated or revealed in the personal property tax return in prejudice of the taxpayer's best interests, or provide any tax return or copy thereof, or a volume including a summary or details of said tax return, without being authorized by the Collection Center, except as provided in this Title. It shall be illegal for any person to print or publish in any form not provided by law, a tax return or any part thereof or any information, data or matters found in it.

Every collector, agent, inspector or other official or employee of the Collection Center or its authorized representative who violates the preceding provisions shall incur a felony, and upon conviction, shall be sanctioned with a fine of five thousand dollars (\$5,000) or imprisonment for five (5) years, or both penalties, at the discretion of the court.

If the violator is an official or employee of the Collection Center or its authorized representative, and is convicted, he/she shall also be removed from the position or employment he/she holds.

Section 6.28. — Taxpayer surveys. (21 L.P.R.A. § 5228)

From time to time the Collection Center may carry out surveys regarding all persons bound to pay personal property taxes, and make lists of said persons and the personal property they own.

Section 6.29. — Examination of books and witnesses. (21 L.P.R.A. § 5229)

(a) Taxpayer's liability — In order to determine the correctness of any tax return or for the purpose of preparing a tax return when none has been filed, the Collection Center may examine any books, papers, records or memoranda pertaining to matters that should be included in the tax return through any its officials, employees or representatives, and it may require the appearance of the person who files the tax return or of any official or employee of said person, or the appearance of the person who has knowledge regarding the matter in

question, and take a statement concerning those matters that according to law must be included in the tax return, with the power to take oath of said person or persons.

No taxpayer shall be subjected to unnecessary investigations or examinations and only one inspection of the taxpayer's accounting books and records for each fiscal year will be made, unless the taxpayer should request otherwise, or unless the Collection Center, after an investigation, should notify the taxpayer in writing that an additional investigation is necessary.

(b) Liability of the assignee — In order to determine the liability in law or in equity of an assignee of the personal property of any person regarding to the tax levied on such a person, the Collection Center may examine any books, papers, records or memorandums pertaining to said liability through any of its officials, employees or representatives, and may require the appearance of the assignor or the assignee or of any official or employee of said persons, or the appearance of any other person who has knowledge concerning the matter and may take their statement with respect to such a matter.

Section 6.30. — Power to take oaths and statements. (21 L.P.R.A. § 5230)

(a) Officials and employees of the Collection Center — Every official, employee or representative of the Collection Center who has been assigned functions regarding the provisions of this Title, is hereby authorized to take oaths and statements concerning any phase thereof, or in any other case in which he/she is authorized to take said oaths and statements by legal authority or regulations promulgated under the legal authority.

(b) Other persons Any oath or statement required or authorized by this Title or by any regulations under the authority of the same, may be taken by any person authorized to take oaths of a general nature by the laws of the Commonwealth of Puerto Rico, of the United States, or of any state, territory or possession of the United States, or of the District of Columbia, where said oath or affirmation is to be taken, or by any consular official of the United States. This subsection shall not be construed as an exclusive listing of the persons who may take such oaths or statements.

Section 6.31. — Final agreements; faculty of the Collection Center. (21 L.P.R.A. § 5231)

The Collection Center is hereby empowered to execute a written agreement with any person regarding said person's responsibility, or that of the person in whose name action is taken with regard to the personal property tax levied by this Title corresponding to any taxable year.

In the absence of fraud or mathematical error, the determinations as to the facts and the decision of the Collection Center on the merits of any claim filed or authorized by this Title shall not be subject to review by any other administrative official, employee or agent of the Commonwealth of Puerto Rico. In the absence of fraud or mathematical error, the granting of interest on any credit or reimbursement by the Collection Center under this Title shall not be subject to review by any other administrative official, employee or agent of the Commonwealth of Puerto Rico. Provided, That the case shall not be reopened with regard to the matters agreed upon nor the agreement modified by any official, employee or agent of the

Commonwealth of Puerto Rico and that said agreement or any determination, appraisal, collection, payment, reduction or reimbursement pursuant thereto shall not be annulled, modified, rendered ineffective or ignored in any suit, action or proceeding.

Section 6.32. —Additional penalties. (21 L.P.R.A. § 5232)

Any person who with regard to a final agreement, intentionally conceals from any official, employee or representative of the Collection Center any personal property belonging to the taxpayer or any other responsible person concerning taxes; or who receives, destroys, mutilates or falsifies, any book, document, or record, or makes any false statement under oath regarding the taxpayer's personal property or regarding the taxes on said property, shall incur a felony, and upon conviction, shall be sanctioned with a fine of five thousand dollars (\$5,000) or punished by imprisonment for five (5) years; or both penalties, at the discretion of the court.

Section 6.33. — Payments. (21 L.P.R.A. § 5233)

(a) Power to receive them The Collection Center or its representative shall have the faculty to receive payment of the taxes on personal property levied by this Title in currency of the United States of America, in cash delivered personally to the Tax Collector's Office or its authorized representatives, with certified checks, cashier's checks or money orders drawn against a bank or trust company, and postal, bank, express and telegraph money orders payable to the Collection Center.

(b) Transfer of responsibility

(1) Duly paid check or money order No person who is indebted to the Collection Center for personal property taxes levied by law who has delivered a certified check, a manager's check, or a cashier's check or money order as provisional payment for said taxes pursuant to the terms of this subsection shall be relieved from the obligation of making the definitive payment thereof until said certified check, manager's check, or cashier's check or money order, has been duly paid.

(2) Unpaid check or money order If any check or money order thus received is not duly paid, the Collection Center shall hold a lien in the amount of said check on all the bank's assets against which it has been drawn, or for the amount of said money order on the assets of the drawer thereof; and said amount shall be paid from its assets with preference over any other claims of any type against said bank or drawer, except administrative disbursements and expenses.

(c) Other checks In addition to the checks specified in subsection (a) of this section, the Collection Center or its authorized representative may receive uncertified checks in payment of personal property taxes levied by this Title, for the term and under those rules and regulations prescribed by it.

If a check thus received is not paid by the bank against which it was drawn, the taxpayer who delivered said check in payment of his/her tax shall remain liable for the payment of the tax and all penalties and legal additions for up to the same limit as if said check had not been drawn.

Section 6.34. — Liens - Legal collection procedure. (21 L.P.R.A. § 5234)

(a) Except as otherwise provided by law with respect to other taxes, the amount of the personal property taxes levied by law, including interest, penalties, additional amounts and additions to said taxes, shall constitute a prior lien in favor of the Collection Center on all the real and personal property, and the real rights of the taxpayer as of the date on which payment therefor is required by the Collection Center or authorized representative, and shall continue to be in effect until the amount owed is totally paid, or until the term for commencing a legal collection procedure or a court proceeding for its collection, has expired.

(b) Such a lien shall not be valid against a mortgage creditor, a financially backed creditor or buyer or a judgment creditor, until the Collection Center or its authorized representative has annotated or registered the attachment referred to in § 5235 of this title in the Real Estate Record Office, but in such case, the lien will be valid and shall have preference only from and after the date of such annotation or registration and solely with respect to liens and encumbrances after such a date.

Section 6.35. — Liens - Collection of taxes. (21 L.P.R.A. § 5235)

Personal property taxes levied by law, including interest, penalties, additional amounts and additions to said taxes, may be collected by the Collection Center or its authorized representative through the legal collection procedure established by this title for the collection of real estate taxes. The Collection Center may direct the collector or the corresponding authorized collector to attach, pursuant to the legal collection procedure, the taxpayer's real and personal property or real rights, to secure or collect the payment of said taxes, including interest, penalties, additional amounts and additions thereto, as soon as said taxes, including interest, penalties, additional amounts and additions to the same have been appraised, and without it being necessary to let the period provided by this title for their payment prescribe, nor to proceed prior to attaching the taxpayer's chattels. The Property Registrar shall annotate the attachments corresponding to real property in the Real Property Attachment Record in favor of the Collection Center and will also make a note in the margin thereof, or following the registry entries for the taxpayer's real assets or real rights. Should the Collection Center adjudicate upon itself real property or real rights subject to prior preferred liens as payment for said taxes and other additional amounts, the owner of such a lien may enforce same against said property making the Collection Center a defendant in the procedure to be followed, for which the Collection Center grants consent.

Section 6.36. — Penalties for failing to file the real estate tax return or submit information. (21 L.P.R.A. § 5236)

Any person bound under this title to file a tax return, to keep evidence or furnish information, data and other matters for appraisal, computation or collection of any personal property tax under the law, who willfully fails to file said tax return, to keep said evidence or furnish said information, data or other matters imposed by this title within the term or terms fixed by law or regulations, shall, in addition to all the penalties provided by law, incur a misdemeanor, and upon conviction shall be sanctioned with a fine of five hundred dollars

(\$500), or punished by imprisonment for six (6) months, or both penalties, at the discretion of the court.

Section 6.37. —Tax returns, sworn statements and fraudulent claims. (21 L.P.R.A. § 5237)

Any person who willfully aids or abets, seeks, counsels, or instigates, the preparation of a false or fraudulent tax return, sworn statement, claim or document, under this Title, or with regard to any matter that arises under this title, regardless of whether or not said falsehood or fraud has been committed with the knowledge of the person authorized or bound to file said tax return, sworn statement, claim or document, shall incur a felony, and upon conviction, shall be sanctioned with a fine of three thousand dollars (\$3,000) or punished by imprisonment for three (3) years, or both penalties, at the discretion of the court.

Section 6.38. — Authentication of the tax return; penalty for perjury. (21 L.P.R.A. § 5238)

(a) Penalties — Any person who willfully completes or signs any tax return, statement or other document that includes or is authenticated by a sworn statement to the effect that it is given under the penalties for perjury, that he/she does not believe that said tax return form or statement, or said document, are true and correct with regard to every pertinent fact, shall incur a misdemeanor, and upon conviction, shall be sanctioned with a fine of five hundred dollars (\$500) or punished by imprisonment for six (6) months, or both penalties, at the discretion of the court.

(b) Signature presumed authentic — The fact that the name of an individual is signed on a tax return, statement or other document that is filed, shall be prima facie evidence for all purposes that the tax return form, statement or other document was signed, in effect, by said person.

(c) Definition of the term "person" As used in this section, the term "person" includes an individual as such, an official, director, agent or employee of a corporation or a financial organization, and a partner, agent or employee of a partnership, who in such a capacity is bound to perform the act with respect to which the violation occurs.

Section 6.39. — Illegal acts by officials or employees. (21 L.P.R.A. § 5239)

(a) Felony — Every official or employee of the Department of the Treasury, the Collection Center, or any authorized representative to whom functions are delegated, who while acting under the authority of this Act incurs any of the acts listed hereinbelow, shall commit a felony, and upon conviction, shall be sanctioned with a fine of five thousand dollars (\$5,000), or punished by imprisonment for five (5) years, or both penalties, at the discretion of the court.

(1) Commits the crime of extortion; or

(2) conspires or agrees with any other person to defraud the Collection Center or the Commonwealth of Puerto Rico;

(3) voluntarily gives the opportunity to any person to defraud the Collection Center or the Commonwealth of Puerto Rico; or

(4) executes or fails to execute any act with the intention of allowing any other person to defraud the Collection Center or the Commonwealth of Puerto Rico;

(5) willfully makes or signs any false entry in any book, or willfully makes or signs any false statement, return, or certificate in any case in which under this title or by regulation he/she is bound to make or sign such an entry, statement, return, or certificate; or

(6) having knowledge or information of such a violation of this Title by any person, or of fraud committed by any person against the Collection Center or the Commonwealth of Puerto Rico, fails to communicate the knowledge or information he/she has of such violation or fraud, in writing, to his immediate superior; or

(7) willfully demands other or greater amounts than those authorized by law, or receives any fee, compensation or gratuity for the performance of any duty; or directly or indirectly solicits, accepts or collects as payment, gift or otherwise, any amount of money or other thing of value, favor or sinecure for transacting, adjusting or fixing any charge or claim for any violation or alleged violation of this Title, or

(8) negligently or intentionally allows any violation of this Title by any person.

(b) Misdemeanor — Any official or employee of the Department of the Treasury, of the Collection Center, or any of their authorized representatives upon whom functions are delegated, and who, acting under the authority of this Act, willfully, and without a valid excuse fails to carry out any of the duties imposed on them shall incur a misdemeanor, and upon conviction, shall be sanctioned with a fine of five hundred dollars (\$500), or punished by imprisonment for six (6) months, or both penalties, at the discretion of the court. The conviction of any public official or employee or authorized representative for any of the illegal acts listed in this section will entail their removal from the position or job he/she holds.

Section 6.40. — Fraud or falsehood in the request for exemption or exonerations. (21 L.P.R.A. § 5240)

Any person who, in order to avail him/herself of the benefits of the exemption or exoneration from payment of the taxes authorized by this Act, presents any fraudulent statement, evidence or information, or intentionally fails to present or conceals the true details that allows the Collection Center, or its authorized representative, to make a correct computation of the exemption or exoneration granted by this Act, will incur a misdemeanor, and upon conviction, shall be sanctioned with a fine of three thousand dollars (\$3,000), or punished by imprisonment for three (3) years, or both penalties, at the discretion of the court.

TITLE VII. — GENERAL PROVISIONS. [21 L.P.R.A., Subtitle 7, Chapter 249]

Section 7.01. — Jurisdiction of the Court of First Instance. (21 L.P.R.A. § 5251)

Exclusive jurisdiction is hereby granted to the Court of First Instance to have jurisdiction in the trials for the crimes stipulated in this Act.

Section 7.02. — Rules and regulations. (21 L.P.R.A. § 52)

The Governing Board of the Collection Center shall prescribe and promulgate the rules and regulations needed for the compliance, execution and proper interpretation of this Act. It shall also prescribe any other regulations that become necessary for reason of any legal change with regard to property taxes. All rules, regulations, norms and directives previously issued by the Secretary of the Treasury to that effect, that are not in conflict with the provisions of this Act shall continue in effect until the Governing Board of the Collection Center promulgates said regulations.

Section 7.03. — Taxpayer's rights under the previous legislation. (21 L.P.R.A. § 5001 note)

The rights acquired by the taxpayer under the previous legislation, or any other special acts, shall continue in effect provided they are not in conflict with the provisions of this Act.

Section 7.04. — Balances owed for tax advances. (21 L.P.R.A. § 5001 note)

The Secretary of the Treasury shall review his/her records in order to establish the balances owed by the municipalities or in favor of them, on account of advances on property taxes. Provided, That once the debt has been established, the balances owed by the municipalities to the Secretary of the Treasury shall be paid within a term no greater than 15 years. On his/her part, balances owed by the Secretary of the Treasury to the municipalities shall be paid within a term that shall not exceed three years.

Section 7.05. — Transfer of collectable debts. (21 L.P.R.A. § 5001 note)

During the Collection Center's organization period, the Secretary of the Treasury shall determine from his/her records the collectable balances owed by taxpayers on account of property taxes. Said balances will be transferred to the Center so that it may carry out the necessary collection efforts. These collections shall belong to the Department of the Treasury or to the municipalities, depending on the dates the debts were incurred. Provided, that the Center, in coordination with the Secretary of the Treasury, shall establish the fees for the efforts to be carried out for the collection of debts corresponding to said Department.

Section 7.06. — Amendments to the Civil Code. [Omitted]

Section 7.07. — Amendments to the Mortgage and Property Registry Act. [Omitted]

Section 7.08. — Amendments to the Corporations Law. [Omitted]

Section 7.09. — Repeals. [Omitted]

Section 7.10. — [This Act was created without sections 7.10 and 7.11]

Section 7.11. — [This Act was created without sections 7.10 and 7.11]

Section 7.12. — Exception. (21 L.P.R.A. § 5001)

This Act will not affect the faculties of the Central Government to grant property tax exemptions under any acts.

Section 7.13. — Effectiveness. (21 L.P.R.A. § 5001 note)

The provisions of this Act shall take effect immediately after its approval except with regard to the transfer of functions and faculties granted to the Secretary of the Treasury which shall take effect as they are performed, but never later than June 30, 1993. Provided, That the Secretary of the Treasury shall be responsible to continue to the fullest extent performance of those duties and faculties that have not been transferred to the Municipal Revenue Collection Center as of June 30, 1993.

Note. This compilation was prepared by the Puerto Rico OMB staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text. Compiled by the Office of Management and Budget Library.