



Tax



Business



People

Veto of Puerto Rico House of Representative Bill 2172

January 16, 2019

On January 12, 2020, the Governor of Puerto Rico vetoed Puerto Rico House of Representatives Bill 2172, hereinafter referred to as “HB 2172”. It was a pocket veto as the Governor of Puerto Rico did not sign the legislation during the prescribed period, on or before January 12, 2020.

HB 2172 aimed to amend the following laws: Articles 1 and 11 of Act 168 of June 30, 1968, as amended, known as “Hospitals Tax Exemption Law”; Article 6.03 of Act 83-1991, as amended, known as “Municipal Property Tax Law of 1991”; various sections of Act 1-2011, as amended, known as “2011 Puerto Rico Internal Revenue Code”; Article 8.3 of Act 27-2011, as amended, known as the “Puerto Rico Filming Industry Tax Incentives Law”; Article 1 of Act 48-2013, as amended, known as “Law to establish a special contribution for professional and advisory services, increase the proportion of machines in casinos and restructure the distribution of said profits”, repeal Article 84 of Act 210-2015, as amended, known as “Real Estate Property Registration Law of the Commonwealth of Puerto Rico”; various sections of Act 60-2019, as amended, known as the “Puerto Rico Incentive Code”, various articles of Act 81-2019, as amended, known as “Puerto Rico Government Gaming Commission Law”; create the “Police Retirement Trust Law”; amend Article 17 of Act 183-2001, as amended, known as “Urban Center Revitalization Law”; and other related matters.

HB 2172 proved to be a controversial one since its original filing provided that the Fiscal Oversight Board immediately argued it was contrary to the fiscal plan. It proposed several tax changes, including among others:

- modify the requirements for businesses to submit audited financial statements with their tax return, when such businesses volume of business is \$3,000,000 or more and does not exceed \$10,000,000. HB 2172 proposed that these businesses be required to submit an Agreed Upon Procedures Report or a Compliance Attestation prepared by a CPA; businesses with a volume of business of \$10,000,000 or more would be required to submit audited financial statements;
- individuals with a volume of business lower than \$750,000 may opt to submit their tax return with a certification signed by a “Specialist Accountant” in place of the former requirement to submit the “Agreed Upon Procedures Report” or the “Compliance Report” prepared by a Certified Public Accountant;

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- increase the business to business (“B2B”) sales and use tax exemption from \$200,000 to \$300,000;
- increase the discount from 5% to 8% from an individual’s tax liability determined for individuals whose gross income does not exceed \$150,000;
- gradually eliminate the 1.5% contribution for professional and advisory services under Act 48-2013; and
- increase the Tax Credit for the Elderly from \$200 to \$400.

Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.



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