

(H.B. 3171)

**(No. 23)**

(Approved March 8, 2007)

## **AN ACT**

To amend Section 2706 of Chapter 5, Subtitle BB of Act No. 120 of October 31, 1994, as amended, known as the "Puerto Rico Internal Revenue Code of 1994," in order to guarantee the flow of recurrent resources that nourish the "Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation Fund," created by virtue of Act No. 121 of August 17, 2001, as amended, and for other purposes.

### **STATEMENT OF MOTIVES**

As a fundamental step for the integrated development of the activities of the motion picture industry of the Island, this Legislature approved Act No. 121 of August 17, 2001, known as the "Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation Act." The same creates the basis upon which to begin developing a real motion picture industry in Puerto Rico. The spirit behind this Act was to stimulate the local industry, not only to solidly strengthen our economy but also to foster the formation of the proper human resources to support a Puerto Rican motion picture industry.

An essential tool of said Act 121 is the creation of the Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation Fund, whose purpose is to finance and foster the production of local films. For its continuance, the Legislature firstly emphasized that the monies contributed

to the Fund would be entered in the books separately from any other funds under the custody of the Secretary of the Treasury. Secondly, that the income of said Fund shall not be considered in determining the total annual income of the General Fund of the Government of the Commonwealth of Puerto Rico. And thirdly, that the monies not used by the Fund during a given Fiscal Year would not revert to the General Fund.

To guarantee its growth, it was determined to provide, among other sources for financing, fifty (50) percent of the product of the taxes collected on public shows according to the provisions of Section 2084 of the “Puerto Rico Internal Revenue Code of 1994,” *supra*.

Five years after its creation, it is heartening to know that several local projects supported by this Fund have triumphed in prestigious international competitions. Furthermore, their success guarantees the formation of new generations of workers in the Seventh Art in our institutions of higher learning. Examples of this are “Cayo,” “Cimarrón” and “Ladrones y Mentirosos.”

In view of the changes made to Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994,” and by virtue of the recently approved Act No. 117 of July 4, 2006, known as the “Taxpayers Justice Act of 2006,” the new Section 2706, regarding the disposition of funds, substituted the former Section 2084. However, its text did not provide for matters concerning the sources of income that nourish the Fund for the Development of Motion Pictures. To retain the language as is would seriously threaten the effectiveness of this special account, endangering the totality of the government efforts invested to strengthen a workshop that lacked, prior to the year 2001, steady sources for financing its operations and the staunch support of the government.

The “Motion Picture Arts, Sciences and Industry Development Fund,” was nourished under Act No. 121 of August 17, 2001, by fifty percent (50%) of the collection on tickets for public shows. This has been generating an average amount, or a historic balance, of close to three point five million (3,500,000) dollars per year.

With the reduction of the percentage of taxes on tickets for public shows from ten (10) to five point five (5.5), the monies collected would not be sufficient for the Fund to maintain its historic balance.

To make the monies collected under the new sales and use tax system (IVU, Spanish acronym) the equivalent of the historic balances of the Fund, the Honorable Secretary of the Treasury shall be empowered to separate from the total amount of the monies collected under the new sales and use tax (IVU), an annual amount to nourish the “Motion Picture Arts, Sciences and Industry Development Fund.” It is important to emphasize the fact that said corrective measure shall be in effect until a new automatic mechanism that would permanently nourish the Fund is introduced. Under these conditions, this measure would maintain the contributions to the Fund at a level very similar to the one that presently exists.

Thus is the commitment of this Legislature to the activities of the local motion picture industry, which is undergoing an important and encouraging development process, reaffirmed.

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

Section 1.-A subsection (d) is hereby added to Section 2706 of Chapter 5, Subtitle BB of Act No. 120 of October 31, 1994, as amended, to read as follows:

“Section 2706.-Special Disposition of Funds

(a) ...

(b) ...

(c) ...

(d) The Secretary shall make a monthly appropriation in the amount of two hundred seventy thousand (270,000) dollars product of the monies collected from the Sales and Use Tax and the same shall be covered into an account denominated the "Puerto Rico Motion Picture Arts, Sciences and Industry Development Fund," in the books of the Department of the Treasury, without a specific fiscal year, and they shall be entered separately from any other funds under the custody of the Secretary. The income of said funds shall not be considered in determining the total annual income of the General Fund. The Secretary shall make a quarterly transfer of the amounts entered into said fund to the Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation so that according to applicable laws, he/she may put them at the disposal of said entity for the purposes of the latter and in the manner and time the Secretary may determine."

Section 2.-Effectiveness.

This Act shall take effect immediately after its approval.

## CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 23 (H.B. 3171) of the 5<sup>th</sup> Session of the 15<sup>th</sup> Legislature of Puerto Rico:

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

In San Juan, Puerto Rico, today 27<sup>th</sup> of June of 2007.

Francisco J. Domenech  
Director