(No. 197)

(Approved December 14, 2007)

AN ACT

To add Section 1040K, Section 1040L and subclause (G) to clause (1) of subsection (b) to Section 1114 of Act No. 120 of October 31, 1994, as amended, known as the "Puerto Rico Internal Revenue Code of 1994," in order to establish the "Newly Built Housing Acquisition Tax Credit Program" and the "Existing Housing Acquisition Tax Credit Program," to grant a tax credit for the acquisition of certain housing units and for other purposes.

STATEMENT OF MOTIVES

The economy of Puerto Rico is going through one of the most difficult situations it has ever encountered. We have seen how the unemployment rates have been consistently rising due to, among other factors, the closing of foreign and local industries, the cost of doing business in the Island, which in turn includes elements such as the high cost of the essential public utilities, the increase in the price of oil, and the bureaucratization of the process to obtain permits. These elements do not operate in a vacuum, and as a consequence, important items that generate financial life in the Island and revenues to the state, such as the sale of newly built housing units and the sale of motor vehicles, have been reduced by more than fifty (50) percent. It is undeniable that Puerto Rico is in a very particular economic recession since the economies surrounding ours have grown beyond their expectations. Short-term strategies must be established in order to provide certain stability to the economy so that it may extricate itself from its stagnancy.

With the purpose of reviving our economy and private investments, we should stimulate the housing construction industry since it generates additional financial activity that enables the creation and maintenance of direct and indirect jobs.

Specifically, the present measure has the purpose of creating the "Newly Built Housing Acquisition Tax Credit Program," as well as a similar program for existing housing. Through the same, the financial institutions that grant financing for the acquisition of newly constructed housing units sold directly by developers and pre-designed house enterprises, shall enjoy a tax credit on their income tax. However, as a condition to enjoy said credit, the financial institution shall accredit the total amount of the credit granted to the balance of the obligation assumed by the buyer when acquiring a newly built housing unit. The credit provided by this legislation shall be determined on the basis of ten (10) percent of the sales price of said property, but the amount thereof shall be limited to fifteen thousand (15,000) dollars.

Likewise, this legislation provides an additional incentive to any person who acquires a newly built housing unit when the same constitutes his/her main residence. In these cases, the credit shall be equal to twenty (20) percent of the sales price of the property, but the amount of said credit shall not exceed twenty-five thousand (25,000) dollars.

Lastly, this legislation provides a ten thousand (10,000) dollar incentive for the acquisition of existing housing units offered in resale, which shall be available for the first one thousand five hundred (1,500) dwellings.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Section 1040K is hereby added to Act No. 120 of October 31, 1994, as amended, known as the "Puerto Rico Internal Revenue Code of 1994," to read as follows:

"Section 1040K.- Newly Built Housing Acquisition Tax Credit Program.-

- (a) Definitions .- For the purposes of this Section, the following terms, words and phrases shall have the general meaning stated hereinbelow, except when the text clearly indicates otherwise:
 - (1) Credit Certification or Certificates.- Means the written grant document issued pursuant to the provisions of this Section whereby the Secretary certifies that the credit is available to be claimed.
 - (2) Credit Means the tax credit for the acquisition, after the effective date of this Act, of a newly built housing unit with the endorsement of the Secretary by means of a credit certification issued pursuant to this Section.
 - (3) Developer Means any natural or juridical person, holding the due real estate developer's license as issued by the Department of Consumer Affairs, who is engaged in the construction business as an entrepreneur, or who is the responsible officer of the promotion, design, sale, construction of urbanization works and housing projects whether individual or multi-story, provided, that exclusively for the purposes of this Section, the term 'developer' shall also include those financial institutions that by virtue of a judicial or extrajudicial process, or

- dation in payment agreement or a similar transaction, become the successor in interest of a developer.
- (4) Pre-designed House Enterprises.- Means any juridical entity registered in the Department of State of the Commonwealth of Puerto Rico to do business in the Commonwealth of Puerto Rico, that is engaged in the sale of one-story, two-story or stilted models in the case of pre-designed houses and whose model plans have been approved by the Regulations and Permits Administration (ARPE, Spanish acronym) on or before November 30, 2007.
- (5) Financial Institution.- Shall have the meaning provided in Section 1024 (f)(4) of the Code.
- (6) Newly Built Housing Inventory.- The inventory of structures suitable for family living that, for the purposes of this credit, the Department of Consumer Affairs shall keep, and in which any Developer who wishes to qualify one of such structures for the credit provided in this Act, shall have included the information required by this Section.
- (7) Sales price.- Means the acquisition price of the newly built housing unit, as it appears in public deed. It shall not include notary fees, internal revenue stamps or other fees or charges related to the financing for the acquisition of the housing unit. The sales price shall not be greater than the sales price reported by the developer for

purposes of the Newly Built Housing Inventory that the developer has in effect on October 31, 2007.

In the case of pre-designed houses, the sales price means the cost of the construction materials of the model selected at a pre-designed house enterprise, plus the cost of labor and the lot (if included in the loan) that is financed by a financial institution in a construction loan. It shall not include notary fees, internal revenue stamps or other fees or charges related to the financing for the granting of a construction loan. The sales price of the construction materials of the model selected shall not be greater than that which the pre-designed house enterprise had in effect on October 31, 2007.

- (8) Qualified Residence.- Means that property that constitutes the main residence acquired by an individual on or before June 30, 2008, after the approval of this Act; being it understood that for these purposes, a main residence shall mean a newly built housing unit owned and used by the acquirer as his/her main residence for a term of not less than three (3) years as of its acquisition; provided, that the noncompliance of the buyer with the term herein provided shall not invalidate the credit originally granted.
- (9) Newly Built Housing.-
 - (i) Means all housing units included in the newly built housing inventory with a sales price that does not exceed two hundred twenty-five (225) percent of

the limit of the Federal Housing Administration (FHA) for the corresponding locality and that has all the endorsements, approvals and permits required by the applicable laws and regulations and that is acquired directly from the developer on or before June 30, 2008, after the effectiveness of this Act, through purchase-sale for which financing of the purchase-sale price is required from a financial institution.

(ii) Furthermore, it means all those models of predesigned houses whose plans have been approved by the Regulations and Permits Administration (ARPE, Spanish acronym) on or before November 30, 2007, that is suitable for family living, and that has all the endorsements, approvals and permits required by the applicable laws and regulations; and that is acquired by a buyer directly from a predesigned house enterprise on or before June 30, 2008, and that for the acquisition thereof, financing is required from a financial institution; it is also provided that in order for said property to qualify for the benefits of this Act, it must be completed on or before September 30, 2008, including the filing of a sworn certification of completed work in order to obtain the corresponding use permit.

- (b) Granting of a Newly Built Housing Acquisition Tax Credit.Subject to the provisions of this Section and to the regulations
 promulgated by the Secretary, the Secretary shall grant a credit
 against the income tax levied in Subtitle A of the Code,
 including the estimated tax, as detailed hereinbelow:
 - (1) General Rule.- In the case of an individual who acquires a newly built housing unit, a credit equal to ten (10) percent of the sales price of said newly built housing unit up to a maximum amount of fifteen thousand (15,000) dollars.

The credit herein provided shall be issued by means of three (3) separate credit certificates as provided hereinbelow:

First Installment: In those cases in which the credit is approved for the maximum sum of fifteen thousand (15,000) dollars, the certificate evincing the first installment shall be issued for the sum of five thousand two hundred (5,200) dollars. In the case that the credit is approved for an amount less than the maximum of fifteen thousand (15,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

Second Installment: In those cases in which the credit is approved for the maximum sum of fifteen thousand

(15,000) dollars, the certificate evincing the first installment shall be issued for the sum of five thousand five hundred (5,500) dollars. In the case that the credit is approved for an amount less than the maximum of fifteen thousand (15,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

Third Installment: In those cases in which the credit is approved for the maximum sum of fifteen thousand (15,000) dollars, the certificate evincing the first installment shall be issued for the sum of five thousand eight hundred (5,800) dollars. In the case that the credit is approved for an amount less than the maximum of fifteen thousand (15,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

(2) Acquisition of Qualified Residence.- In the case that an individual acquires a qualified residence, the credit shall be equivalent to twenty (20) percent of the sales price up to the maximum amount of twenty-five (25) thousand dollars.

The credit herein provided shall be issued by means of three (3) separate credit certificates as provided hereinbelow: First Installment: In those cases in which the credit is approved for the maximum sum of twenty-five thousand (25,000) dollars, the certificate evincing the first installment shall be issued for the sum of eight thousand eight hundred (8,800) dollars. In the case that the credit is approved for an amount less than the maximum of twenty-five thousand (25,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

Second Installment: In those cases in which the credit is approved for the maximum sum of twenty-five thousand (25,000) dollars, the certificate evincing the first installment shall be issued for the sum of nine thousand two hundred (9,200) dollars. In the case that the credit is approved for an amount less than the maximum of twenty-five thousand (25,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

Third Installment: In those cases in which the credit is approved for the maximum sum of twenty-five thousand (25,000) dollars, the certificate evincing the first installment shall be issued for the sum of nine thousand six hundred (9,600) dollars. In the case that the credit is approved for an amount less than the maximum of twenty-five thousand (25,000) dollars, the certificate

- evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.
- (3) To be entitled to the credit provided by this Section, the balance of the principal of the obligation of the buyer to purchase the newly built housing unit shall be accredited with a sum equal to the sum of the tax credit granted.
- (4) Under no circumstances shall an individual benefit on more than two (2) occasions from the tax credit provided in this Section and in Section 1040L. In the case of an individual who benefits from both Sections, the limit of two (2) transactions shall apply to the aggregate.
- (c) Application for Credit.- Every financial institution that wishes to obtain a credit pursuant to this Section shall submit the following information to the Secretary:
 - (1) In the case of a claim for the credits provided in subsection (b) of this Section:
 - (i) The number by which the housing unit was identified in the newly built housing inventory;
 - (ii) A simple copy of the purchase-sale deed;
 - (iii) A simple copy of the mortgage deed whereby financing of said housing unit is guaranteed;
 - (iv) A copy of the application for tax exoneration for purposes of the Municipal Revenues Collection Center (CRIM, Spanish acronym) in the case the newly built housing unit is a qualified residence.
 - (2) In addition to the requirements set forth in clause (1), the financial institution shall comply with the terms,

- documents and information required by the Secretary through regulations or any other official statement that he/she issues to such effect.
- (3) The Secretary shall approve or deny the credits within fifteen (15) calendar days after the date on which all the documents needed for the granting of the credit provided in this Section have been filed. If the Secretary does not deny the application for credits within the term provided above, it shall be understood that the same have been approved.
- (d) Availability of Credit.- The credit provided in this Section shall be available for use by the person entitled to the same against the income tax levied by Subtitle A of this Code, including the estimated tax in accordance to the periods of effectiveness of each Credit Certification issued by the Secretary. The credit certifications to be issued pursuant to this Section shall be used in three (3) installments to be claimed during a period of three (3) consecutive taxable years as of the taxable years beginning after December 31, 2007. For such purposes, the first installment for use of the credits approved pursuant to this Section shall be from January 1, 2008, to June 30, 2009, the second installment for use of the credits approved pursuant to this Section shall be from July 1, 2009, to June 30, 2010, and the third installment for use of the credits approved pursuant to this Section shall be from July 1, 2010, and June 30, 2011.

- (e) Assignment, Sale or Transfer of Credit.-
 - (1) The credit provided under this Section may be assigned, sold or otherwise transferred in its totality by the financial institution.
 - (2) Notice.- The financial institution or the person who wishes to assign, sell or transfer the credit as well as the buyer of the credit shall notify the Secretary of the assignment, sale or transfer in accordance to the terms and conditions established by the Secretary for such purpose.
 - (3) The money or value of the property received in exchange for the credit shall be exempted from taxation under the Code up to an amount that is equal to the amount of the credit assigned, sold or transferred.
 - (4) When the tax credit granted by this Section is assigned, sold, or transferred, the difference between the amount of the credit and the amount paid for the same shall not be considered as income for the buyer of the credit.
 - (5) In the case that a financial institution, on the closing of any of its taxable years beginning after December 31, 2007, cannot use the tax credit provided by this Section against its tax obligation, if any, and has not assigned, sold, or transferred the same, it may claim said credit in its income tax return as a refundable credit. A refund applied for under this provision shall be subject to the payment of interest if the same is not received within thirty (30) days of submitting such an application,

regardless of what is provided in any other Section of the Code or other Act that provides for the payment of interest by the Secretary of the Treasury.

(f) Denial or Revocation of Credit

- (1) Denial.- The Secretary may deny any application filed under this Section when he/she determines in his/her sound discretion that the granting of the credit is not warranted, taking into account the facts set forth and the conditions and requirements provided in this Section and in the regulations to be adopted pursuant to the same.
- (2) Revocation.- The credits granted pursuant to this Act shall be irrevocable.
- (g) Special Surtax.- In the case that a buyer of a qualified residence fails to comply with the three (3)-year term of possession and use thereof in accordance with clause (8) of subsection (a) of Section 1040K of the Puerto Rico Internal Revenue Code of 1994, he/she shall be responsible before the Secretary of the Treasury for a special surtax equal to the credit originally granted. This clause shall be included in the purchase-sale deed through which the qualified residence is acquired under this Section.
- (h) Maximum Limit of Credits.- The maximum aggregate amount of tax credits available for distribution under this Section shall be two hundred twenty million (220,000,000) dollars.
- (i) Requirement of Registration in the Housing Inventory.- Every developer who wishes that one or more units of a housing project qualify for the credit provided in this Section, shall file

at the Department of Consumer Affairs an inventory of the units to be qualified, including the following information:

- (1) Identification of the assessment for the project in question;
- (2) Name of the project;
- (3) Total of units approved;
- (4) Total of units sold by October 31, 2007.
- (5) Total of units completed having all the endorsements, approvals and permits required by the applicable laws and regulations, but not sold by October 31, 2007.
- (6) Total of units begun but not completed by October 31, 2007.
- (7) Sales price of the units indicated in clause (4).
- (8) Sales price of the units indicated in clauses (5) and (6). The sales price for the purposes of these subsections shall not be greater than that which the developer had in effect on October 31, 2007, as sales price of a specific unit, taking into consideration a reduction equal to the fair market value of any properties, services or deductions in effect on the date the same have been used as an offer to the buyer to stimulate the latter to buy such as the inclusion of electro-domestic appliances, offers of landscape design and landscaping, club memberships, exemption from maintenance costs, reimbursement of expenses and any other similar offers.

- (9) A copy of all promotions used by the developer as an offer to the buyer to stimulate the purchase of the housing unit by October 31, 2007.
- (10) A certification that a solar water heater has been installed in all housing units with their own private roof.

Section 2.- Section 1040L is hereby added to Act No. 120 of October 31, 1994, as amended, known as the Puerto Rico Internal Revenue Code of 1994, to read as follows:

"Section 1040L.- Existing Housing Acquisition Tax Credit Program.-

- (a) Definitions .- For the purposes of this Section, the following terms, words and phrases shall have the general meaning stated hereinbelow, except when the text clearly indicates otherwise:
 - (1) Credit Certification or Certificates.- Means the written grant document issued pursuant to the provisions of this Section whereby the Secretary certifies that the credit is available to be claimed.
 - (2) Credit Means the tax credit for the acquisition, after the effective date of this Act, of a newly built housing unit with the endorsement of the Secretary by means of a credit certification issued pursuant to this Section.
 - (3) Financial Institution.- Shall have the meaning provided in Section 1024 (f)(4) of the Code.
 - (4) Sales price.- Means the acquisition price of the existing housing unit, as it appears in public deed. It shall not include notary fees, internal revenue stamps or other fees

- or charges related to the financing for the acquisition of the housing unit.
- (5) Existing Housing.- Means that property included in the inventory that, for the purposes of this Section, shall be kept by the Department of Consumer Affairs with a sales price that has all the permits, endorsements, and approvals required by the applicable laws and regulations which constitutes the main residence acquired by an individual on or before June 30, 2008; it being understood that for these purposes, a main residence means an existing housing unit owned and used by the buyer as his/her main residence for a term of not less than three (3) years as of its purchase; provided, that the noncompliance of the buyer with the term herein provided shall not invalidate the credit originally granted.
- (b) Granting of an Existing Housing Acquisition Tax Credit.-Subject to the provisions of this Section and to the regulations promulgated by the Secretary, the Secretary shall grant a credit against the income tax levied in Subtitle A of the Code, including the estimated tax, as detailed hereinbelow:
 - (1) General Rule.- In the case of an individual who acquires an existing housing unit, a credit equal to ten (10) percent of the sales price of said housing unit up to a maximum amount of ten thousand (10,000) dollars.

The credit herein provided shall be issued by means of three (3) separate credit certificates as provided hereinbelow: First Installment: In those cases in which the credit is approved for the maximum sum of ten thousand (10,000) dollars, the certificate evincing the first installment shall be issued for the sum of three thousand five hundred (3,500) dollars. In the case that the credit is approved for an amount less than the maximum of ten thousand (10,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

Second Installment: In those cases in which the credit is approved for the maximum sum of ten thousand (10,000) dollars, the certificate evincing the first installment shall be issued for the sum of three thousand six hundred (3,600) dollars. In the case that the credit is approved for an amount less than the maximum of ten thousand (10,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.

Third Installment: In those cases in which the credit is approved for the maximum sum of ten thousand (10,000) dollars, the certificate evincing the first installment shall be issued for the sum of three thousand eight hundred (3,800) dollars. In the case that the credit is approved for an amount less than the maximum of ten thousand

- (10,000) dollars, the certificate evincing the first installment shall be issued for an amount in a proportion identical to the herein indicated.
- (2) To be entitled to the credit provided by this Section, the balance of the principal of the obligation of the buyer to purchase the existing housing unit shall be accredited with a sum equal to the sum of the tax credit granted.
- (3) Under no circumstances shall an individual benefit on more than two (2) occasions from the tax credit provided in this Section and in Section 1040K. In the case of an individual who benefits from both Sections, the limit of two (2) transactions shall apply to the aggregate.
- (c) Application for Credit.- Every financial institution that wishes to obtain a credit pursuant to this Section shall submit the following information to the Secretary:
 - (1) In the case of a claim for the credits provided in subsection (b) of this Section:
 - (i) The number by which the housing unit was identified in the existing housing inventory;
 - (ii) A simple copy of the purchase-sale deed;
 - (iii) A simple copy of the mortgage deed whereby the financing of said housing unit is guaranteed;
 - (iv) A copy of the application for tax exoneration for purposes of the Municipal Revenues Collection Center (CRIM, Spanish acronym).
 - (2) In addition to the requirements set forth in clause (1), the financial institution shall comply with the terms,

- documents and information required by the Secretary through regulations or any other official statement that he/she issues to such effect.
- (3) The Secretary shall approve or deny the credits within fifteen (15) calendar days after the date on which all the documents needed for the granting of the credit provided in this Section have been filed. If the Secretary does not deny the application for credits within the term provided, it shall be understood that the same have been approved.
- (d) The credit provided in this Section Availability of Credit.shall be available for use by the person entitled to the same against the income tax levied by Subtitle A of this Code, including the estimated tax in accordance to the periods of effectiveness of each Credit Certification issued by the Secretary. The credit certifications to be issued pursuant to this Section shall be used in three (3) installments to be claimed during a period of three (3) consecutive taxable years as of the taxable years beginning after December 31, 2007. For such purposes, the first installment for use of the credits approved pursuant to this Section shall be from January 1, 2008, to June 30, 2009, the second installment for use of the credits approved pursuant to this Section shall be from July 1, 2009, to June 30, 2010, and the third installment for use of the credits approved pursuant to this Section shall be from July 1, 2010, to June 30, 2011.

- (e) Assignment, Sale or Transfer of Credit.-
 - (1) The credit provided under this Section may be assigned, sold or otherwise transferred in its totality by the financial institution.
 - (2) Notice.- The financial institution or the person who wishes to assign, sell or transfer the credit as well as the buyer of the credit shall notify the Secretary of the assignment, sale or transfer in accordance to the terms and conditions established by the Secretary for such purpose.
 - (3) The money or value of the property received in exchange for the credit shall be exempted from taxation under the Code up to an amount that is equal to the amount of the credit assigned, sold or transferred.
 - (4) When the tax credit granted by this Section is assigned, sold, or transferred, the difference between the amount of the credit and the amount paid for the same shall not be considered as income for the buyer of the credit.
 - (5) In the case that a financial institution, on the closing of any of its taxable years beginning after December 31, 2007, cannot use the tax credit provided by this Section against its tax obligation, if any, and has not assigned, sold, or transferred the same, it may claim said credit in its income tax return as a refundable credit. A refund applied for under this provision shall be subject to the payment of interest if the same is not received within thirty (30) days of submitting such an application,

regardless of what is provided in any other Section of the Code or other Act that provides for the payment of interest by the Secretary of the Treasury.

(f) Denial or Revocation of Credit

- (1) Denial.- The Secretary may deny any application filed under this Section when he/she determines in his/her sound discretion that the granting of the credit is not warranted, taking into account the facts set forth and the conditions and requirements provided in this Section and in the regulations to be adopted pursuant to the same.
- (2) Revocation.- The credits granted pursuant to this Act shall be irrevocable.
- (g) Special Surtax.- In the case that a buyer of an existing residence fails to comply with the term of one year of possession and use thereof in accordance with this Section, he/she shall be responsible before the Secretary of the Treasury for a special surtax equal to the credit originally granted. This clause shall be included in the purchase-sale deed through which the existing residence is acquired under this Section.
- (h) Maximum Limit of Credits.- The maximum amount of two hundred twenty million (220,000,000) dollars in tax credits available for distribution under Section 1040K of this Code shall be reduced by the total amount of tax credits available under this Section for the purchase of a maximum of one thousand five hundred (1,500) existing housing units. In no case shall the total amount of tax credits available under

Sections 1040K and 1040L of this Code exceed the sum of two hundred twenty million (220,000,000) dollars.

(i) Requirement of Registration in the Existing Housing Inventory.- Every individual who wishes that his/her existing residence qualify for the credit provided in this Section, shall notify the Department of Consumer Affairs of the sales price at which the housing unit was offered and obtain a certification from the Department of Consumer Affairs indicating that said existing housing unit is one of the one thousand five hundred (1,500) housing units that qualify for the credit provided in this Section."

Section 3.- A subclause (G) is hereby added to clause (1) of subsection (b) of Section 1114 of Act No. 120 of October 31, 1994, as amended, known as the "Puerto Rico Internal Revenue Code of 1994," to read as follows:

"Section 1114.- Basis to Determine Profit or Loss

- (a) ...
- (b) ...
 - (1) ...
 - (G) in the case of a residence for whose acquisition a credit was issued pursuant to Sections 1040K and 1040L, for an amount equal to the credit thus granted.
 - (2) ..."

Section 4.- Reports to the Department of Consumer Affairs

Every developer who wishes to qualify units to apply for the tax benefits provided by this Act shall submit to the Secretary of the Department of Consumer Affairs, with a copy to the Secretary of the Treasury, a report which shall include the following information, as well as any other information that through regulations or any other official statement of the Secretary is required to comply with the provisions of this Act.

- (1) Identification of the assessment for the project in question;
- (2) Name of the project;
- (3) Total of units approved;
- (4) Total of units sold by October 31, 2007.
- (5) Total of units completed having all the endorsements, approvals and permits required by the applicable laws and regulations, but not sold by October 31, 2007.
- (6) Total of units begun but not completed by October 31, 2007.
- (7) Sales price of the units indicated in clause (4).
- (8) Sales price of the units indicated in clauses (5) and (6). The sales price for the purposes of these subsections shall not be greater than that which the developer had in effect on October 31, 2007, as sales price of a determined unit, taking into consideration a reduction equal to the fair market value of any properties, services or deductions in effect on the date the same have been used as an offer to the buyer to stimulate the latter to buy the same, such as the inclusion of electro-domestic appliances, offers of landscape design and landscaping, club memberships, exemption from maintenance costs, reimbursement of expenses and any other similar offers.

- (9) A copy of all promotions used by the developer as an offer to the buyer to stimulate the purchase of the housing unit by October 31, 2007.
- (10) A certification that a solar water heater has been installed in all housing units with their own private roof.

The Secretary of the Department of Consumer Affairs shall assign an exclusive identification number to each completed unit that has all the endorsements, approvals and permits required by the applicable laws and regulations but not sold by October 31, 2007; and to every unit begun but not completed on October 31, 2007, to be used as reference by the financial institutions. The developer shall be under the obligation to publish the inventory of newly built housing units in a newspaper of general circulation.

In the case of pre-designed houses, every pre-designed house enterprise that wishes to qualify units to apply for the tax benefits provided by this Act shall submit to the Secretary of the Department of Consumer Affairs, with a copy to the Secretary of the Treasury, a report that shall contain an inventory of all the models approved by the Regulations and Permits Administration (ARPE, Spanish acronym), including their sales price as of October 31, 2007.

In the case of existing housing units, the Department of Consumer Affairs shall keep an inventory of the information received from any individual who wishes that his/her existing residence qualify for the credit provided in Section 1040L of the Puerto Rico Internal Revenue Code of 1994, as amended. The individual shall inform the Department of Consumer Affairs the sales price at which said housing unit was offered and the Department of Consumer Affairs shall issue to such individual a certification establishing that said housing unit is one of the one thousand five (1,500)

existing housing units that qualify for the credit provided in Section 1040L of the Puerto Rico Internal Revenue Code of 1994, as amended, and shall assign an exclusive identification number to said existing housing unit."

Section 5.- Pre-designed Houses – Notice in Purchase-sale Contracts
Every person engaged in the sale of pre-designed houses shall include
in the purchase-sale contracts executed within the effective term of this Act,
a Clause that shall be entitled "NOTICE," which shall read as follows:

"NOTICE: The Buyer who wishes to avail him/herself of the benefits provided in Section 1040K of the Puerto Rico Internal Revenue Code of 1994, as amended, shall request the Use Permit of the Regulations and Permits Administration (ARPE, Spanish acronym) on or before September 30, 2008. Likewise, as part of the processing of the Use Permit, the Buyer shall present a Certification issued by the Department of Consumer Affairs indicating that the contractor of the work is registered in the Contractor's Registry as required by Act No. 146 of August 10, 1995, as amended."

Section 6.- Pre-designed Houses – Notice in Promotions

Every advertisement or promotion for the sale of pre-designed houses shall include the following notice to buyers: "The benefits provided in Section 1040K of the Puerto Rico Internal Revenue Code of 1994 may only be claimed by the buyer upon obtaining the Use Permit of the Regulations and Permits Administration (ARPE, Spanish acronym)."

Noncompliance with this provision shall entail the imposition of an administrative fine pursuant to the faculties conferred to the Department by virtue of Act No. 5 of April 23, 1973, as amended.

Section 7.- Regulations

The Secretaries of the Department of the Treasury and of the Department of Consumer Affairs are hereby empowered to promulgate the

necessary regulations, without being subject to Act No. 170 of August 12, 1988, as amended, known as the "Commonwealth of Puerto Rico Uniform Administrative Procedures Act," for the implementation of the provisions of this Act.

Section 8.- Appropriation of Funds

The Secretary of the Department of the Treasury is hereby empowered to identify the availability of those funds that are needed for the implementation of the provisions of this Act from any funds available in the Budget of the Department of the Treasury.

Section 9.- Separability Clause

If any section or provision of this Act is declared null or unconstitutional by a court with competence and jurisdiction, said ruling shall not affect or invalidate the remaining provisions of this Act, and its effect shall be limited to the paragraph, section, part or provision declared null or unconstitutional.

Section 10.- Effectiveness

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 197 (H.B. 4117) of the 5^{th} Special Session of the 15^{th} Legislature of Puerto Rico:

AN ACT to add Section 1040K, Section 1040L and subclause (G) to clause (1) of subsection (b) to Section 1114 of Act No. 120 of October 31, 1994, as amended, known as the "Puerto Rico Internal Revenue Code of 1994," in order to establish the "Newly Built Housing Acquisition Tax Credit Program" and the "Existing Housing Acquisition Tax Credit Program," to grant a tax credit for the acquisition of certain housing units and for other purposes,

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

In San Juan, Puerto Rico, today 31st of January of 2008.

Francisco J. Domenech Director