

(H. B. 2269)

(No. 2-2015)

(Approved January 15, 2015)

AN ACT

To amend subsection (h) of Section 34 of Act No. 44 of June 21, 1988, as amended, known as the “Puerto Rico Infrastructure Financing Authority”; amend paragraph (9) of subsection (g) of Section 3020.07A of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”; and amend Section 1.01 and repeal Section 1.02 of Chapter I, and add a new Section 3.15 to Chapter III of Act No. 1-2015, in order to make technical amendments to the provisions related to the authorized financing, the scope of the exemption, the Special Committee, and the scope of the public policy for the correct interpretation thereof, and the use of surpluses, among other things.

STATEMENT OF MOTIVES

The purpose of this measure is to incorporate technical amendments to Act No. 44 of June 21, 1988, as amended; Act No. 1-2011, as amended; and Act No. 1-2015, to establish the scope of the exemption allowed, clarify the provisions related to the authorized financing, the use of surpluses, as well as to provide for the scope of the public policy. These amendments shall serve to clarify the scope and maximize the potential of the laws amended hereunder.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

Section 1.- Subsection (h) of Section 34 of Act No. 44 of June 21, 1988, as amended, is hereby amended to read as follows:

“Section 34.- Infrastructure Financing Authority Special Economic Assistance Fund.-

(a) ...

(h) The Commonwealth of Puerto Rico hereby guarantees the payment of the principal and interest on Refinancing Bonds and any Collateralized Debt Obligation to be issued from time to time only when the aggregate par value does not exceed two billion nine hundred fifty million dollars (\$2.950); the maximum average nominal interest rate of such Bonds does not exceed 8.5%; the average original-issue discount of such Bonds is not less than 93%; and the maturity date thereof is not later than thirty (30) years after the date or dates of issue. The Government Development Bank for Puerto Rico shall resort to every reasonable alternative to ensure that the cost of this transaction for the Commonwealth of Puerto Rico and the Authority is the lowest possible. Refinancing Bonds and Collateralized Debt Obligations backed by this guarantee of the Commonwealth of Puerto Rico, under the described conditions, shall be those specified by the Secretary of the Treasury and the Government Development Bank for Puerto Rico, and such Refinancing Bonds and Collateralized Debt Obligations, shall bear on their face a statement of the Commonwealth's guarantee. The Secretary of the Treasury, with the advice of the Government Development Bank for Puerto Rico, is hereby authorized to establish, in particular cases, special terms and conditions under which the holder of Refinancing Bonds and Collateralized Debt Obligations guaranteed herein shall be entitled to make a claim under the guarantee of the Commonwealth of Puerto Rico. If the Secretary of the Treasury prescribes such special terms and conditions, the same shall be included in a guarantee executed by the Secretary of the Treasury. Subject to the special terms and conditions, if any, negotiated by the Secretary of the Treasury in relation to the guarantee of the Commonwealth of Puerto Rico that are included in the guarantee executed by the Secretary of the Treasury, if at any time Revenues thus Pledged are insufficient to pay such principal and interest as the same shall become due, the Secretary of the Treasury shall withdraw from funds available in the Treasury of Puerto Rico such

sums as may be necessary for making up the deficiency in the amount required for the payment of such principal and interest, and shall direct that the sums so withdrawn be applied to such payment. The full faith and credit of the Commonwealth of Puerto Rico are hereby pledged to such payment.

(i) ...

(j) ...”

Section 2.- Paragraph (9) of subsection (g) of Section 3020.07A of Act No. 1-2011, as amended, is hereby amended to read as follows:

“Section 3020.07A.- Excise Tax on Crude Oil, Partially Finished and Finished Oil By-products, and any other Hydrocarbon Blend Devoted to the Infrastructure Financing Authority.-

(a) ...

(g) Exemptions.- The tax imposed under this Section shall not apply to:

(1) ...

(9) Crude oil, partially finished and finished oil by-products, or any other hydrocarbon blend subject to the excise tax on diesel oil imposed under subsection (a)(3) of Section 3020.06; provided, that on or after the Effective Date (as such term is defined in Section 12A of Act No. 74 of June 23, 1965, as amended by this Act), this exemption shall not apply to the three-dollar and twenty-five cent (\$3.25)-increase established in subsection (a)(ii) of this Section 3020.07A, thus, said articles also subject to the excise tax on diesel oil shall be subject to a single excise tax of three dollars and twenty-five cents (\$3.25) under this Section 3020.07A.

For purposes of this paragraph, ‘diesel oil’ shall be understood as that used in Puerto Rico by (i) establishments engaged in the business of selling at retail fuel for motor vehicles, which is stored in underground storage tanks authorized by the Environmental Quality Board; (ii) establishments engaged in the business of selling fuel to the persons described in subparagraph (i) of this paragraph, or to other persons for use in motor vehicles used in the business of transporting persons or merchandise, or (iii) persons, for use in motor vehicles used to transport merchandise.

The exemption provided for in this paragraph applies to importers of diesel oil who sell it to any person described in subparagraphs (i), (ii), and (iii) of this paragraph. In order for the exemption provided for in subparagraphs (ii) and (iii) of this paragraph to apply, the person described in said subparagraphs shall have the previous recognition and authorization of the Secretary.

- (h) ...
- (i) ...
- (j) ...
- (k) ...
- (l) ...”

Section 3.- Section 1.01 of Chapter I of Act No. 1-2015 is hereby amended to read as follows:

“Section 1.01.- Public Policy.-

The mission of ...

The economic crisis ...

However, addressing ...

The new Tax System of Puerto Rico shall seek to abide by the Basic Principles set forth in this Act herein below:

- (a) ...

(j) Significantly reduce income tax rates applicable to individuals, especially to the middle class. Thus, there shall be considered the elimination of the payment of income taxes by individual taxpayers filing separately whose annual income is, at least, thirty-five thousand dollars (\$35,000), or family filing jointly whose annual income is seventy thousand dollars (\$70,000).

(k) ...

(p) Seek that the effect of income-tax related provisions be retroactive to January 1st, 2015.”

Section 4.- Section 1.02 of Chapter I of Act No. 1-2015 is hereby repealed.

Section 5.- A new Section 3.15 is hereby added to Chapter III of Act No. 1-2015, to read as follows:

“Section 3.15.- Surplus of Funds Allocated to the HTA and/or ITA.-

Any surplus of funds resulting from the administrative and/or operating savings generated by virtue of the process provided in this Chapter shall be used to pay priority obligations of the HTA and/or ITA.

Likewise, any surplus available after paying off an installment plan of the outstanding balance of any debt accrued as of December 31st, 2014 shall be used, in its entirety, to pay the loans of the HTA and/or ITA with the GDB.”

Section 6.- Severability.-

If any section, subsection, clause, paragraph, subparagraph, or part of this Act were held to be null or unconstitutional by a competent court, the holding to such effect shall not affect, impair, or invalidate the remaining provisions and part of this Act.

Section 7.- Effectiveness.-

This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following **Act No. 2-2015 (H. B. 2269)** of the **5th Regular Session** of the **17th Legislative Assembly of Puerto Rico**:

AN ACT to amend subsection (h) of Section 34 of Act No. 44 of June 21, 1988, as amended, known as the “Puerto Rico Infrastructure Financing Authority”; amend paragraph (9) of subsection (g) of Section 3020.07A of Act No. 1-2011, as amended, known as the “Internal Revenue Code for a New Puerto Rico”; and amend Section 1.01 and repeal Section 1.02 of Chapter I, and add a new Section 3.15 to Chapter III of Act No. 1-2015, in order to make technical amendments to the provisions related to the authorized financing, the scope of the exemption, the Special Committee, and the scope of the public policy for the correct interpretation thereof, and the use of surpluses, among other things.

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

In San Juan, Puerto Rico, on this 20th day of March, 2015.

Juan Luis Martínez Martínez
Acting Director