

(H.B. 3462)

(No. 118)

(Approved May 21, 2004)

AN ACT

To add Sections 15, 16 and 17 to Act No. 225 of December 1st, 1995, as amended, known as the “Agricultural Tax Incentives Act of Puerto Rico,” in order to replace the item of fifteen million (15,000,000) dollars a year in tax credits per investment as authorized by said Act, with an annual appropriation of fifteen million (15,000,000) dollars to the Farming and Animal Husbandry Service and Development Administration (A.S.D.A., Spanish acronym), attached to the Department of Agriculture, so that the former may offer matching incentives for investments in agricultural businesses, limiting the amount of the incentives to be granted to the sum of two hundred fifty thousand (250,000) dollars per *bonafide* farmer, investor or participant for each fiscal year, and in the case of Production Cores, the appropriation shall be of one million five hundred thousand (1,500,000) dollars per fiscal year.

STATEMENT OF MOTIVES

The Agricultural Tax Incentives Act of Puerto Rico confers a tax credit as an incentive for investment in agricultural businesses. Even though this incentive is very effective, the reality is that the administration of the same is very complex and especially burdensome to the small farmer. In addition, the intervention of the Department of the Treasury in the granting of credits prevents the investment and incentive needs of the agricultural sector from being tended to promptly and effectively.

Aware of this situation, this Legislature deems it convenient to replace the sum of fifteen million (15,000,000) dollars a year in tax credits per

investment contemplated by the Act, as of fiscal year 2004-2005, with an annual appropriation of fifteen million (15,000,000) dollars to the Farming and Animal Husbandry Service and Development Administration (A.S.D.A., Spanish acronym), attached to the Department of Agriculture, in order for the former to use said funds to grant matching incentives for cash investments or investments in agricultural businesses, limiting the amount of the incentives to be granted to the sum of two hundred fifty thousand (250,000) dollars per *bonafide* farmer, investor or participant per fiscal year, and in the case of Production Cores, the sum shall be one million five hundred thousand (1,500,000) dollars per fiscal year.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.—A Section 15 is hereby added to Act No. 225 of December 1st, 1995, as amended, to read as follows:

“Section 15.—Elimination of the tax credit for investment in agricultural businesses.—

The tax credits for investments in agricultural businesses described in Section 12 of Act No. 225 of December 1st, 1995, shall no longer be granted as of the date of approval of this Act. Any endorsement issued by the Secretary of Agriculture with respect to an investment that had generated tax credits corresponding to the year 2004-2005 or any subsequent year, shall be evaluated and considered by the Farming and Animal Husbandry Service and Development Administration (A.S.D.A., Spanish acronym) through the Development Committee, appointed by the Secretary of Agriculture, for the granting of the incentives described in Section 16 of this Act.”

Section 2.—A Section 16 and a Section 17 are hereby added to Act No. 225 of December 1st, 1995, as amended, to read as follows:

“Section 16.—Appropriation of Funds.—

In substitution of the fifteen million (15,000,000) dollars in annual tax credits contemplated by Section 12 of this Act, the sum of fifteen million (15,000,000) dollars is hereby appropriated and authorized from appropriations originating from the General Fund, to be allotted annually to the Farming and Animal Husbandry Service and Development Administration (A.S.D.A., Spanish acronym), to be used in the granting of incentives to match in cash investments or investments in agricultural businesses under those standards and restrictions established by the Secretary of Agriculture; provided, that in no case shall the amount of the incentives to be granted exceed the sum of two hundred fifty thousand (250,000) per *bonafide* farmer, investor or participant per fiscal year and who proves that with this investment, he or she shall increase the number of jobs in his/her agricultural business; in the case of Production Cores, the appropriation shall be of one million five hundred (1,500,000) dollars per fiscal year. The investment in any agricultural business may be up to a maximum of fifty (50) percent, according to the amount of applications and the funds available. It is hereby provided that upon receiving the incentive to match the investment, the investor or participant that sells his/her business within a term of five years or less, shall return to the Government of Puerto Rico the incentive, deferred at five (5) years. During the first (1st) year, he/she shall return one hundred (100) percent of the incentive; in the second (2nd) year, he/she shall return eighty (80) percent; in the third (3rd) year, he/she shall return sixty (60) percent; in the fourth (4th) year, he/she shall return forty (40) percent; and in the fifth (5th) year, he/she shall return twenty (20) percent of the incentive for investment he/she was granted. The Secretary of Agriculture shall submit an annual report to the Legislature on the use of the funds.

Section 17.—Overseeing the use of funds.—

If a natural or juridical person were to default compliance the agreements through which he/she/it was allotted funds by virtue of this Act, the Department of Agriculture shall be under the obligation of reporting to the Department of the Treasury so that it imposes the same penalties and requires the same demands as if it were a tax debt.”

Section 3.—This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 118 (H.B. 3462) of the 7th Session of the 14th Legislature of Puerto Rico:

AN ACT to add Sections 15, 16 and 17 to Act No. 225 of December 1st, 1995, as amended, known as the “Agricultural Tax Incentives Act of Puerto Rico,” in order to replace the item of fifteen million (15,000,000) dollars a year in tax credits per investment as authorized by said Act, with an annual appropriation of fifteen million (15,000,000) dollars to the Farming and Animal Husbandry Service and Development Administration (A.S.D.A., Spanish acronym), attached to the Department of Agriculture, so that the former may offer matching incentives for investments in agricultural businesses, etc.,

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

In San Juan, Puerto Rico, today 16th of March of 2005.

Luis E. Fusté-Lacourt
Director