

(S. B. 493)

(No. 325)

(Approved September 16, 2004)

AN ACT

To create a law that shall be known as the “Renewable Energy Development Act” and to add a new Section 2048-A to Act No. 120 of October 31, 1994, as amended, known as the “Internal Revenue Code of 1994,” to create a the property tax exemption for equipment for renewable energy capture, accumulation, generation, distribution and application.

STATEMENT OF MOTIVES

In the last few decades, the Legislature has approved legislation creating public agencies and appropriating funds for the protection of the environment. Community and civic organizations, as well as all political parties, have brought to public awareness our people’s concern regarding the protection of the environment.

Our Legislature, through funds directed toward the University of Puerto Rico and other centers for study and research, has promoted the development of new technology for the exploitation of energy originating from inexhaustible and non-contaminating sources, or renewable energy.

More than a decade of dedication to research and development by the engineers, professors and students in different learning centers within Puerto Rico and abroad are now making possible the use of sources of renewable energy. Currently, with countless ways of using the energy of the wind, sea and sun, there are electric generators and even air conditioners that operate using solar energy. Lighting systems that capture sunlight separate the sunrays that give heat from

those that give light and distribute said light through optic conductors to light the interior spaces of buildings. There are electric generators that operate using the temperature difference between water at the bottom of the sea and the water at the top. Likewise, there are solar thermal collectors that capture the heat of the sun during the daytime to generate energy during the night.

Puerto Rico is ideally positioned to be at the forefront in the use of renewable energy sources. We have the sun, wind and sea, which are three of the main sources of renewable energy. We have the expertise of our engineers and the developments already achieved in our learning centers.

The exploitation of this new technology requires a large capital investment. The available equipment is costly, because they are not yet in mass production. In spite of the high cost, there are Puerto Rican enterprises that wish to acquire this new technological equipment for the exploitation of renewable energy. The personal property tax computed on the initial cost of this equipment turns into an obstacle for private enterprises that wish to implement this technology.

A property tax exemption on the equipment for exploitation of renewable energy shall not have a substantial impact on the fiscal collections of the municipalities or the General Fund. Since this is a new technology, no enterprises have the equipment at present.

The previous considerations lead us to introduce legislation to stimulate the utilization of renewable energy, eliminate the property tax on equipment for the use of renewable energy, and to enable the development, manufacturing and sale of equipment for the use of sources of renewable energy.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- This Act shall be known as the “Renewable Energy Development Act.”

Section 2.- The public policy of the Government of the Commonwealth of

Puerto Rico shall henceforth be the following:

- (a) To stimulate the development of renewable energy and exploit clean and inextinguishable energy sources.
- (b) To ensure property tax exemption of equipment for the capture, accumulation, generation, distribution and application of renewable energy for local commercial, industrial or domestic use.
- (c) To promote fiscal incentives such as deductions and/or credits for the development, manufacture and marketing of renewable energy equipment.

Section 3.- For purposes of this Act, the following words and phrases shall have the meanings stated below:

- (a) Government of the Commonwealth shall mean the Commonwealth, its Departments, Agencies, Instrumentalities and Dependencies, Municipalities and Public Corporations.
- (b) Renewable Energy - are sources of energy, such as solar energy, eolic energy, hydraulic energy, biomass energy, the energy from the difference in oceanic temperatures, ocean energy, wave energy and tidal energy, among others, whose use is clean, reliable, safe and sustainable.
- (c) Renewable energy capture equipment - equipment whose main purpose is the capture of energy issued by a natural source.
- (d) Renewable energy accumulation equipment - equipment whose main purpose is the storage of energy as gathered by the capture equipment.
- (e) Renewable energy generation equipment shall mean equipment whose main purpose is the production of useful energy from the renewable energy source.
- (f) Renewable energy distribution equipment - equipment whose main

purpose is to conduct the energy from the capture equipment to the location for its final use.

- (g) Renewable energy application equipment - equipment whose main purpose is the exploitation of the renewable energy to be used in a direct and specific operation.

Section 4.- A new Section 2048-A is hereby added to Subtitle B, Chapter 111 of Act No. 120 of October 31, 1994, as amended, known as the Internal Revenue Code of 1994,” to read as follows:

“Section 2048-A.- Exemption to Renewable Energy Capture, Accumulation, Generation, Distribution and Application Equipment

Renewable energy capture, accumulation, generation, distribution and application equipment that is either imported into or manufactured in Puerto Rico shall be exempted from the excise tax levied by this Act.”

Section 5.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 325 (S.B. 493) of the 7th Session of the 14th Legislature of Puerto Rico:

AN ACT to create a law that shall be known as the “Renewable Energy Development Act” and to add a new Section 2048-A to Act No. 120 of October 31, 1994, as amended, known as the “Internal Revenue Code of 1994,” to create a the property tax exemption for equipment for renewable energy capture, accumulation, generation, distribution and application,

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

In San Juan, Puerto Rico, today 2nd of June of 2006.

Francisco J. Domenech
Director