

Current Through
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ACT60 Guidebook

A Tool to Demystify
the Local Tax Code

L60.

Keiko Yoshino

Acknowledgments

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Preface

The Puerto Rico Blockchain Trade Association (PRBTA) was established to build an inclusive community around emergent technology and spearhead local adoption of web3. But as time progressed, it became painfully clear that there was a lack of understanding about the incentives and who was eligible to utilize them. As a result, we could not talk about new technology companies on the island without addressing the elephant in the room: the tax incentives responsible for attracting them to the island in the first place. What started as a private campaign in response to misinformation in 2022 has evolved and been adopted as PRBTA's L6o public education initiative. L6o stands for *Ley 60* or *Act 60* in English. In February 2023, the PRBTA launched its first series of L6o tax incentive workshops with local associations and nonprofits.

At both the heart of the L6o Guidebook and PRBTA lies a dedication to accessibility. Written in a reader-friendly format, each chapter is carefully structured to unravel the intricacies of Puerto Rico's Incentives Code. The entire guidebook is available for free at L6oPR.com.

PRBTA's L6o education campaign aspires to be a catalyst for change. Our goal is to transform misconceptions into tangible opportunities, empowering local communities to embark on ventures that might have previously seemed out of reach and call out to the diaspora to come home.

We hope you enjoy the read.

Sincerely,

Keiko Yoshino,

Executive Director,
Puerto Rico Blockchain Trade Association



hello.

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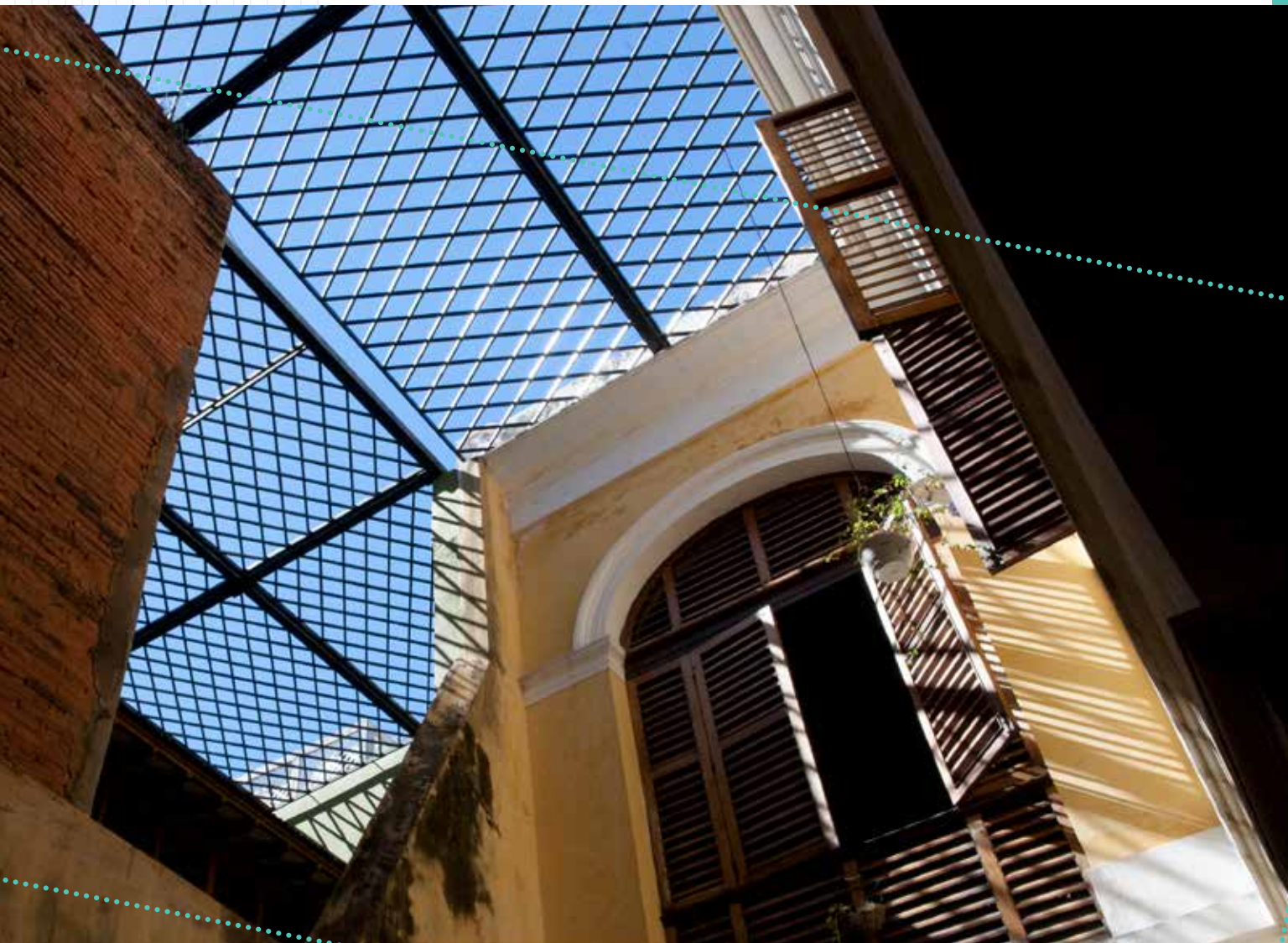
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Puerto Rico's Economic History and Transformation



Over the course of more than a century, Puerto Rico has witnessed a long and intricate history of economic development policies aimed to foster self-sufficiency and stimulate growth. In the last two decades alone, the island's government has introduced several tax incentive provisions to nurture local industries and address crucial social needs. These provisions include the Act 60 Incentives Code, which will be key to unlocking local entrepreneurial potential. To truly appreciate Act 60, it is essential to examine the island's history of tax incentives.



An Overview of Puerto Rico Tax Incentives

Puerto Rico's economy has been shaped by both federal and local tax reforms and regulations for the better part of a century. These paved the way for three distinctive waves of economic growth, each with its own unique focus and purpose.

1. The First Wave – 1940s-1960s:

The first wave of economic development policies in Puerto Rico was characterized by a strong emphasis on transportation, industrial incentives that are commonly known as Operation Bootstrap, and the offshore manufacturing of goods. In 1942, the first tax incentive policy was introduced. Afterwards, the 1950s entailed a shift towards preserving historic buildings, offering safety and security benefits to employees, and attracting insurance companies to the island. The 1960s heralded a progressive extension of incentives for local agriculture, with a specific focus on dairy farming and maritime cargo distribution. Each of the following incentives has played a significant role in shaping Puerto Rico's economic landscape, fostering growth across various sectors, and enriching the island's cultural fabric:

1945 - *Exención Contributiva a Porteadores Públicos de Servicios de Transporte Aéreo*
(Tax Exemption for Public Carriers of Air Transport Services)

1947 - *Ley de Incentivos Industriales*
(Industrial Incentives Act)

1955 - *Exención Contributiva Zonas Históricas*
(Historic Zones Tax Exemption)

1956 - *Ley de Seguridad de Empleo de Puerto Rico*
(Puerto Rico Employment Security Act)

1957 - *Código de Seguros de Puerto Rico*
(Insurance Code of Puerto Rico)

1962 - *Exención de Contribuciones a la Corporación Industrial Lechera de Puerto Rico*
(Puerto Rico Milk Industry, Inc. Tax Exemption Act)

1963 - *Ley de Incentivo Industrial de Puerto Rico*
(Puerto Rico Industrial Incentive Act)

1966 - *Ley de Transportación de Carga por Mar*
(Maritime Freight Transportation Act)

2. The Second Wave – 1970s-1980s:

In a bold effort to stimulate the economy and attract investment to the island, the federal government introduced Section 936 to the IRS Code. This provision offered tax incentives to corporations operating on the island, enabling eligible corporations to qualify for tax credits based on the income taxes they paid to the Puerto Rican government. The introduction of Section 936 aimed to incentivize companies to establish a presence, contribute to the local economy, and foster job creation on the island. Key pieces of legislation during this second wave included:

1971 - *Ley del Bono Anual a los Trabajadores Agrícolas*
(Agricultural Workers Annual Bonus Act)

1971 - *Exención Contributiva a la Producción Comercial de Flores y Plantas Ornamentales*
(Tax Exemption on Commercial Production of Flowers and Ornamental Plants)

1978 - *Ley de Incentivos Industriales de Puerto Rico*
(Puerto Rico Industrial Incentives Act)

1987 - *Ley de Coparticipación del Sector Público y Privado para la Nueva Operación de Vivienda*
(Public and Private Sector Co-partnership for the New Housing Operation Act)

1987 - *Ley de Incentivos Contributivos de Puerto Rico*
(Puerto Rico Tax Incentives Act)

1989 - *Ley Para Establecer el Programa de Subsidio Salarial a los Agricultores Elegibles*
(Act to Establish the Wage Subsidy Program for Eligible Farmers)

3. Third Wave – The 1990s and Beyond:

The 1990s marked the emergence of a third wave of economic development policies in Puerto Rico. During this period, leaders provided municipal governments the authority to enact local tax incentives, thereby amplifying the scope of economic development initiatives. As tourism continued to flourish, Puerto Rico introduced incentives for developing hospitality and tourism ventures. Moreover, these years saw the approval of policies to support agricultural, renewable energy, research, and affordable housing.

However, this provision also led to conflicts between federal and local public policy makers. Eventually, these conflicts

resulted in Section 936's repeal and a ten-year phase-out in 1996, marking the beginning of several decades of United States and Puerto Rico conflicting tax policies. This phase-out ultimately created an extended recession for the island: revenue plummeted, and jobs disappeared, as businesses left as tax incentives expired, leading the Puerto Rico government to accumulate tens of billions in dollars in debt as they borrowed to replace lost revenue.

With an eye on the future, the island expanded incentives to promote several population sectors and local industries. Throughout the 2010s, more than 20% of the current incentives available were introduced.¹ These programs included tax credits for the tourism industry, revamped green energy incentives, municipal economic development programs, real estate market stimulus laws, incentives for solid waste management, provisions to promote export services, and capital gains exemptions for individual investors. In addition, tax credits for the film industry, incentives for hiring high school and college graduates, and incentives to protect employees were introduced. Furthermore, incentives related to private capital funds, incubation programs led by nonprofit organizations, complete tax exemptions for young entrepreneurs, capital and income exemptions for medics, and parity to the Federal Opportunity Zone program were established at this time. Examples of these incentives are listed below:

1991 - *Ley de Contribución Municipal sobre la Propiedad*
(Municipal Property Tax Act)

1994 - *Código de Rentas Internas de Puerto Rico*
(Puerto Rico Internal Revenue Code)

1995 - *Ley de Incentivos Contributivos Agrícolas de Puerto Rico*
(Puerto Rico Agricultural Tax Incentives Act)

1996 - *Programa de Alquiler de Vivienda para Personas de Edad Avanzada Ingresos Bajos*
(Rental Housing Program for Low-Income Elderly Persons)

1998 - *Ley de Incentivos Contributivos de Puerto Rico*
(Puerto Rico Tax Incentives Act)

¹ Act 52, enacted in Puerto Rico on June 30, 2022, mandates the establishment of a Tax Credit Manager (TCM) within the Puerto Rico Treasury Department's electronic platform. This system is designed for efficient management and monitoring of tax credits, including their registration through interagency collaboration. Key provisions include a three-year limit on the use of any tax credits issued before the TCM's launch, unless they expire sooner. Additionally, for tax credits granted post-TCM implementation, registration within the TCM is mandatory for taxpayer eligibility.

2000 - *Vivienda de Interés Social para Personas con Impedimentos o de Edad Avanzada*
(Housing Units for the Elderly and Persons with Disabilities)

2001 - *Ley de Créditos Contributivos por Inversión en la Construcción o Rehabilitación de Vivienda para Alquiler a Familias de Ingresos Bajos o Moderados y de Créditos Contributivos por Inversión en la Adquisición, Construcción o Rehabilitación de Vivienda Asequible para Alquilar a las Personas de Edad Avanzada*
(Tax Credits for Investment in New Construction and Rehabilitation of Rental Housing for Low- or Moderate-Income Families Act and Tax Credits for Investments in the Acquisition, Construction, or Rehabilitation of Affordable Rental Housing for the Elderly Act)

2003 - *Ley para la Creación de Proyectos de Vivienda de “Vida Asistida” para Personas de Edad Avanzada en Puerto Rico*
(Act for the Creation of Assisted Living Housing Projects for the Elderly in Puerto Rico)

2003 - *Ley del Impuesto sobre el Canon por Ocupación de Habitación del Estado Libre Asociado de Puerto Rico*
(Commonwealth of Puerto Rico Room Occupancy Rate Tax Act)

2004 - *Ley para el Desarrollo de Energía Renovable*
(Renewable Energy Development Act)

2004 - *Ley del Programa JUVEMPLEO*
(JUVEMPLEO Program Act)

2008 - *Ley del Programa para el Financiamiento de la Investigación y el Desarrollo de Tecnología Agrícola y de Alimentos*
(Agriculture and Food Technology Research and Development Financing Program Act)

2008 - *Ley de Incentivos Económicos para el Desarrollo de Puerto Rico*
(Economic Incentives Act for the Development of Puerto Rico)

2010 - *Ley de Desarrollo Turístico de Puerto Rico de 2010*
(Puerto Rico Tourism Development Act of 2010)

2010 - *Ley de Incentivos de Energía Verde de Puerto Rico*
(Green Energy Incentives Act of Puerto Rico)

-
- 2010** - *Ley de Incentivos para el Desarrollo Económico y Turístico Municipal*
(Municipal Economic and Tourist Development Incentives Act)
-
- 2010** - *Ley de Estímulo al Mercado de Propiedades Inmuebles*
(Real Property Market Stimulus Act)
-
- 2011** - *Código de Rentas Internas para un Nuevo Puerto Rico*
(Internal Revenue Code for a New Puerto Rico)
-
- 2011** - *Ley de Incentivos Contributivos para la Inversión en Facilidades de Reducción, Disposición y/o Tratamientos de Desperdicios Sólidos*
(Act to Provide Tax Incentives for Investments in Solid Waste Reduction, Disposal, and/or Treatment Facilities)
-
- 2011** - *Ley de Incentivos Económicos para la Industria Fílmica de Puerto Rico*
(Puerto Rico Film Industry Economic Incentives Act)
-
- 2012** - *Ley para Fomentar la Exportación de Servicios*
(Act to Promote the Export of Services)
-
- 2012** - *Ley Para Incentivar el Traslado de Individuos Inversionistas a Puerto Rico*
(Act to Promote the Relocation of Individual Investors to Puerto Rico)
-
- 2013** - *Ley de Empleos Ahora*
(Jobs Now Act)
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- 2013** - *Ley del Programa de Incentivos de Incubadoras de Negocios*
(Business Incubators Intensive Program)
-
- 2014** - *Ley de incentivos y financiamiento para jóvenes empresarios*
(Young Entrepreneurs Incentive and Financing Act)
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- 2014** - *Ley de Fondos de Capital Privado*
(Private Equity Funds Act)
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- 2014** - *Ley del Portal Interagencial de Validación para la Concesión de Incentivos para el Desarrollo Económico de Puerto Rico*
(Interagency Validation Portal for the Granting of Incentives for the Economic Development of Puerto Rico Act)
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- 2017** - *Ley de Incentivos Para la Retención y Retorno de Profesionales Médicos*
(Incentives Act for the Retention and Return of Medical Professionals)
-

While progress has been made with each passing decade, there is still more to be done.

Factors Impacting Entrepreneurial Development

Collecting data from a wide range of sources, the Global Entrepreneurship Monitor (GEM) has provided a comprehensive view of the state of entrepreneurship in participating countries since 1999. GEM's research, centered on key aspects such as the number and characteristics of entrepreneurs, level of entrepreneurial activity, motivations and challenges entrepreneurs face, and the entrepreneurial ecosystem's impact on economic development, provides insight on Puerto Rico's entrepreneurial future. However, the outlook is not as optimistic as one could imagine. The six leading factors impacting the economic development of the entrepreneurial class are the following:

1. **Low Entrepreneurial Activity:** Compared to other countries, past GEM reports show that Puerto Rico has relatively low levels of entrepreneurial activity. In some years, it even ranked below countries that recently exited a totalitarian or dictatorial regime. This might be attributed to various factors, including economic challenges, culture, risk appetite, and limited access to resources and funding.
2. **Favorable Perceptions of Entrepreneurship:** Despite low levels of entrepreneurial activity, GEM has found that Puerto Ricans generally have favorable attitudes towards entrepreneurship and consider it a desirable career choice. However, although it is perceived favorably, only a small percentage follow through in putting their ideas into action.
3. **Limited Access to Funding:** Access to funding is often cited as a significant obstacle for entrepreneurs in Puerto Rico. Limited access to venture capital and angel investors can make it challenging for startups to scale and grow. Although

there are incentives for private equity funds, none are in place to foster angel investors and venture capital in small amounts. As a result, most founders in Puerto Rico rely on their own personal savings and credit cards.

4. **Government Support:** GEM reports rank Puerto Rico as one of the most cumbersome jurisdictions for doing business. Although its government has introduced various initiatives and tax incentives to encourage entrepreneurship and attract foreign investment, bureaucracy is one of the leading factors impeding the establishment of new enterprises. While these initiatives are aimed at fostering economic growth and creating a more favorable environment for startups, less than 20% of all active businesses in Puerto Rico have received a tax incentive.
5. **Emerging Sectors:** GEM reports have indicated that specific emerging sectors (such as technology, creative industries, and agribusiness) are gaining traction in the Puerto Rican startup ecosystem. These have the potential to drive economic development and create jobs. Evidence of this has been seen for decades, as the island has produced renowned musicians and cultural icons, many with an impact on the social fabric of society.
6. **Recovery from Natural Disasters:** Over the years, Puerto Rico has experienced several natural disasters (such as Hurricane Maria in 2017). The long-lasting consequences of these disasters have left their mark on the island's economy and infrastructure, which in turn have influenced the entrepreneurial landscape and recovery efforts.

What the Future Holds if Nothing is Done

The continuation of low levels of entrepreneurial activity may present several challenges and have significant economic impacts on Puerto Rico. If the status quo remains unchanged, this could lead to:

1. **Limited Job Creation:** Entrepreneurial ventures are a major source of job creation in any economy. However, Puerto Rico's low entrepreneurial activity means fewer new businesses are being established, leading to a limited number of job opportunities for the local population. Since 2021, the number of corporations registered in the island has not surpassed more than 50,000 enterprises,² while there are more than 3,000,000 residents on the island.³
2. **Brain Drain:** The lack of vibrant entrepreneurial opportunities can drive talented individuals towards seeking better prospects elsewhere. This is what is known as the brain drain effect, a loss of skilled individuals that can negatively impact the local workforce and talent pool. To lessen the impact of this phenomenon, Puerto Ricans may consider starting new businesses or continuing family enterprises for the following reasons: (a) lack of available job opportunities that pay a living wage, (b) the need to cause social impact, and (c) the desire to build great wealth.
3. **Economic Stagnation:** A lack of entrepreneurial activity can result in economic stagnation, limited innovation, and the absence of new industries or business models that could drive growth and diversify the economy. This has been the case in Puerto Rico for several decades. Since 1996, and with the phase out of the Section 936 tax exemptions, there has been a deterioration in the manufacturing sector.⁴ From 1996-2006, Puerto Rico lost 40% of its manufacturing workforce.⁵ many skilled professionals have had no alternative but to leave the island.
4. **Reduced Innovation:** Entrepreneurs are often at the forefront in the development of new products, services, and technologies. When there is low entrepreneurial activity, this leads to a

2 "2022 Small Business Profile – Puerto Rico," U.S. Small Business Administration Office of Advocacy, August 2022. <https://advocacy.sba.gov/wp-content/uploads/2022/08/Small-Business-Economic-Profile-Puerto-Rico.pdf>.

3 U.S. Census Bureau, "Quickfacts: Puerto Rico," 2023. www.census.gov/quickfacts/fact/table/PR/PST045223.

4 Amelia Cheatham and Diana Roy, "Puerto Rico: A U.S. Territory in Crisis," Council on Foreign Relations, September 29, 2022. <https://www.cfr.org/background/puerto-rico-us-territory-crisis>

5 John Schoen, "Here's How an Obscure Tax Change Sank Puerto Rico's Economy," CNBC, September 26, 2017. <https://www.cnbc.com/2017/09/26/heres-how-an-obscure-tax-change-sank-puerto-ricos-economy.html>

reduced pace of innovation. This means that Puerto Rico could hinder its ability to stay competitive in a global market. Low safety measurements, or infrastructure to tolerate and accept risk (accelerators, incubators, and other programming), halt significant advancements in these areas.

5. **Limited Economic Resilience:** A diverse and dynamic entrepreneurial ecosystem contributes to economic resilience. However, with fewer startups and innovative businesses, Puerto Rico may need help in adapting to changing economic conditions and disruptions. Moreover, without affordable housing and strong electrical, telecommunications, and utilities infrastructure, no risky endeavor may survive a natural disaster.
6. **Dependence on Foreign Investment:** When local entrepreneurs do not drive economic growth, this inevitably leads to dependence on foreign investment and multinational corporations. Puerto Rico's heavy reliance on external investment could make the economy vulnerable to external factors and leave the island at a loss as to its economic engine. Fostering investments within the local entrepreneurial class (at all investment levels), as well as fostering both local and foreign investments, may counteract the island's full dependency on foreign capital.
7. **Young Adult Unemployment:** High youth unemployment rates are often associated with low entrepreneurial activity. Without opportunities to start or join startups, young people may face challenges as they enter the job market. Furthermore, as a jurisdiction with one of the most rapidly aging populations in the world, Puerto Rico's need for younger, educated, and employed talent begs the following question: Who will take the reins of the productive assets in the economy? As 16- to 35-year-olds lead the outward migration with their children, the population deficit that the island will face is a serious concern to be addressed through effective policies and incentives.
8. **Impact on Government Revenues:** A thriving entrepreneurial ecosystem can boost government revenues through increased taxes on business income, wages, and consumption. Low entrepreneurial activity could impact public services and infrastructure investment. The biggest mistake the local economy can make is forgetting about the local entrepreneurial class.⁶

6 NotiUno. "Comerciantes de Piñones reclaman acción para que arreglen carretera." February 22, 2022, https://www.notiuno.com/noticias/gobierno-y-politica/comerciantes-de-pi-ones-reclaman-acci-n-para-que-arreglen-carretera/article_8b18ecb6-93fo-11ec-9fa7-7386a3de341b.html.

9. **Slower Economic Recovery:** Entrepreneurial ventures are instrumental in driving economic recovery after crises or natural disasters. With limited entrepreneurial activity, Puerto Rico may need help in rebuilding and revitalizing its economy in the aftermath of adverse events. As such, future recovery and response efforts could increase reliance on slow, bureaucratic, and centralized government processes.
10. **Decline in Competitiveness:** Limited funding, support networks, and opportunities for talented citizens make it harder for Puerto Rican startups to compete with businesses from other regions with more robust access to capital or cheaper labor. This decline could result in reduced competitiveness and market share across sectors.
11. **Inability to Attract Investment:** Local and foreign investors may be hesitant to invest in Puerto Rican startups if they perceive a lack of funding support, or if their business models need to be more entrenched in serving the shrinking local community. A lack of growing export businesses servicing clientele around the world can further exacerbate the limited access to capital for entrepreneurs.
12. **Economic Inequality:** Limited access to funding can disproportionately impact underserved and disadvantaged entrepreneurs who may already face barriers to starting and growing their businesses. With established corporations increasing their market share and lacking competition, these factors can exacerbate economic inequality on the island.
13. **Regulatory Burden:** Excessive regulations and bureaucratic hurdles can make it difficult for entrepreneurs to navigate the process of starting and operating a business. This can lead to delays, increased costs, and frustration among those who aspire to create a business.

Moving forward, the entrepreneurial landscape in Puerto Rico will continue to evolve in response to both external challenges and internal opportunities (or lack thereof). This is why the island's entrepreneurial community must remain agile, innovative, and well connected. Only by doing this can they overcome challenges and leverage emerging trends in sectors such as technology, sustainability, and healthcare. Collaboration between entrepreneurs, government agencies, and support organizations will be key in building a resilient and prosperous entrepreneurial ecosystem in Puerto Rico.

Sustainable development, climate change, and natural disasters will present just a few of the additional problems the world population will have to deal with in the coming decades. It will not be a choice; it will be an imperative. Entrepreneurship will be at the forefront of necessary growth in consideration of this ever-changing reality.

The L60 Guidebook: A Tool to Demystify the Local Tax Code

Born out of a relentless desire to bridge the gap between misinformation and knowledge, the *L60 Guidebook* stands as an authoritative resource with a distinct mission: to demystify the complexities of Puerto Rico's Incentives Code. Written in a reader-friendly format with concise, dual-language, and data-driven chapters, the guidebook serves as a conceptual framework for entrepreneurs, ecosystem builders, policymakers, and organizers eager to make a positive economic impact on their local communities or grow their businesses exponentially. The *L60 Guidebook* seeks to serve as a catalyst for change and a compass that navigates readers through the vast landscape of tax incentives, offering invaluable insights and actionable advice to demystify the application process for a tax decree.

This publication aims to transform misconceptions into possibilities, empowering readers to embrace opportunities they may have once believed were unattainable. Regrettably, one of the most prevailing and detrimental misconceptions about Puerto Rico's tax incentives is the perception that these policies for economic development are exclusively reserved for the benefit of multinational corporations and foreign investors. This belief, coupled with a pattern of disengagement from local communities, has had an adverse impact on the genuine progress and transformative power that activists, founders, and investors can collectively achieve.

This Guidebook is focused on breaking down barriers to information and participation. It is meant to be a resource to encourage entrepreneurs and organizers to confidently initiate activities that will undoubtedly contribute to the organic growth and sustainable development of their communities. One of its key goals is to challenge and dispel the myth that these incentives are elusive and inaccessible to the majority. This publication will demonstrate that they are attainable and that, with the right understanding and application, they can lead to tangible, lasting benefits for businesses, investors, and citizens alike.

Common Misconceptions: True or False?

Incentives are only for for-profit organizations and capital interests.

False

Contrary to the notion that all economic development policies and incentives have been geared towards corporations, the Statement of Motives for Act No. 60 of July 1, 2019, provides that more than 35% of the incentives established are designed to directly address pressing social needs that the government is unable to cater to effectively due to a lack of resources, time, or expertise.⁷

Incentives are only for foreigners.

False

While many believe that Act 60 exclusively benefits foreigners or individuals who do not reside on the island, this is far from the truth. The tax incentives under Act 60 are available to both residents and non-residents of Puerto Rico who meet the eligibility criteria. The program is designed to promote economic development, job creation, and social impact within Puerto Rico's local communities. With 65% of the provisions focused on local industries and corporations, entrepreneurs, business owners, and individuals living on the island can take advantage of these incentives to grow their ventures, create jobs, and contribute to the island's prosperity. By dispelling this misconception, more local residents can explore and benefit from the opportunities provided by Act 60 and contribute to the island's economic growth.⁸

Incentives are only for exporting businesses.

False

Another misconception is that only specific industries can take advantage of Act 60 tax incentives. In reality, the Incentives Code covers a broad spectrum of industries, including manufacturing, technology, hospitality, agriculture, creative industries, and more. The diversity of eligible industries fosters

⁷ Atty. José Sánchez Acosta and Atty. Carlos Fontán. "Conéctate al Desarrollo | Ep. 3 – Datos y mitos sobre la Ley 22 de Puerto Rico." DDECPR. April 27, 2023. Video, <https://www.youtube.com/watch?v=WBCbzQKjKml>.

⁸ Acosta and Fontán, "Conéctate al Desarrollo | Ep. 3 – Datos y mitos sobre la Ley 22 de Puerto Rico." <https://www.youtube.com/watch?v=WBCbzQKjKml>.

a dynamic entrepreneurial ecosystem, encouraging businesses from various sectors to contribute to Puerto Rico's economic prosperity, no matter their size or scale. Any entrepreneur or business owner with the willingness to expand their operations may qualify for these incentives.

Incentives involve a complex application process.

True

The application process for Act 60 tax incentives can be intricate and requires the submission of specific documentation. However, entrepreneurs and business owners can seek guidance from consultants, tax professionals, attorneys, and experts who are well versed in the application process. While daunting at first, it is essential to understand and navigate the application process to reap the full benefits of Act 60, which could extend for well over 15 years.

Incentives are inaccessible for small- and medium-sized businesses.

False

One of the prevailing myths about Act 60 is that it is inaccessible to small- and medium-sized businesses because it was primarily designed for large corporations. The tax incentives actually cater to businesses of all sizes, including startups as well as small- and medium-sized enterprises (SMEs). The incentives are designed to support and empower the growth of these businesses, fostering a thriving entrepreneurial landscape in Puerto Rico.

The Incentives Code provides long-term and reliable tax benefits.

True

Act 60 provides long-term tax benefits. This provides businesses with a predictable environment in which to plan and invest. Once a decree is obtained, signed, and approved, those tax benefits are secured for the duration of the decree and protected under the Constitution of Puerto Rico.



False

Incentives have a limited social impact.

It has been suggested that Act 60 is primarily focused on economic benefits and neglects social impact. However, a significant portion of the incentives are specifically designed to address social needs and promote social responsibility. For example, incentives support affordable housing, green energy initiatives, and the preservation of historical properties, directly contributing to Puerto Rico's social and cultural development as well as the overall well-being of its constituents.



False

Incentives are only for new businesses.

While Act 60 benefits may be understood to be exclusive to newly established businesses, that is not the case at all. Many incentives are also available to existing businesses seeking to expand their operations, undertake research and development projects, or engage in other activities that contribute to Puerto Rico's economic growth.

Guidebook Structure

The *L6o Guidebook* is thoughtfully designed to offer a structured, cohesive approach to understanding and navigating Puerto Rico's Incentives Code. It is divided into 11 chapters, each covering specific types of incentives. They also address the needs of businesses owners, grassroots leaders, and economic development advocates alike.

Following a consistent format that makes the content both accessible and actionable, the chapters also offer important insights, eligibility requirements, illustrative examples, and costs to file. The start of every chapter will set the stage for the specific tax incentive program, including an overview of the economic and social objectives it aims to address. Additionally, it will show available data and statistics related to the performance and impact of the incentive.

The eligible businesses section breaks out the types of businesses or industries that qualify for the specific tax incentive(s) discussed in that chapter. This section will provide a comprehensive list of eligible activities, a brief definition of each one, as well as (in some instances) minimums and maximums that define compliance. The eligible businesses information will assist readers in determining whether their business aligns with the program's objectives.

Next are the eligibility requirements and the general benefits sections. The first of these will outline the criteria and conditions that businesses must fulfill to become eligible for the tax incentive. This includes information on the required documentation, certification processes, and any other prerequisites set forth by the government or regulatory municipal, state, or federal authorities. Meanwhile, the second will provide a glimpse of the general benefits that businesses can gain by participating in the tax incentive program. Although every chapter includes a baseline of tax incentives, this section delves into the financial advantages, tax credits, and deductions that qualifying businesses can access. As the requirements are understood, this will aid interested entrepreneurs in preparing and applying for the incentive successfully, thus reducing the time required for the application process.

To fully visualize the process, the illustrative examples section will provide hypothetical situations to demonstrate how the tax incentive really works. This section will enhance understanding and enable readers to grasp the benefits and implications of the incentive in different business contexts.

Finally, the cost to file section will provide concrete details around the financial commitment involved in the process. This section will break down the complete costs (what the

government charges) for each type of application available and the processing fees.

In moving forward with the methodology and approach to be applied, it is important to highlight that the *L6o Guidebook* is based on the Puerto Rico Incentives Code (Act No. 6o of July 1, 2019, as amended) and its English translation can be found in PDF format, <https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/2-ingles/6o-2019.pdf>. To avoid the repetition of footnotes in relation to this document, pinpoint citations are provided primarily at the header level per chapter. The five-digit citation following the “S” section symbol can be entered into the search box of the PDF document to find a specific section of the law.

Methodology and Approach

With a strong commitment towards providing accurate and reliable information, we adopted a robust methodology and approach in gathering data for this publication. Data were sourced from various open access platforms provided by the government of Puerto Rico, leading universities, federal agencies, and global development banks. Additionally, insights and forecasts were drawn from esteemed economic researchers and institutions in Puerto Rico, such as Estudios Técnicos and Econometrica.

The *L6o Guidebook* aims to foster fiscal reform through education, increase awareness, and promote the widespread adoption of tax incentives for the greater good of Puerto Rico and its residents. Its vision is to empower individuals, entrepreneurs, and organizations with the tools and knowledge necessary to harness the transformative power of these incentives, which will ultimately cultivate a thriving ecosystem of sustainable growth and prosperity. Readers are invited to delve into the chapters that pique their interest, explore the vast opportunities that lie within Puerto Rico's economic landscape, and embrace the possibilities for a brighter, more resilient future.