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## TAX ALERT

### ***Puerto Rico Enacts a Tax Amnesty***

On November 7, 2011, Puerto Rico Act 218-2011 was enacted to waive the payment of interest, penalties, surcharges and any other additions to the tax ("Tax Amnesty"), with respect to the following taxes imposed under the Puerto Rico Internal Revenue Code of 1994, as amended ("1994 Code"), :

- a) income taxes (including withholding taxes and those imposed under the Insurance Code);
- b) estate and gift taxes;
- c) the special real property tax; and
- d) debts under payment or payroll discount plans.

In order to benefit from the Tax Amnesty, the taxpayer must have paid, on or before February 29, 2012, the total amount of taxes owed to the Government of Puerto Rico imposed under the 1994 Code, the Puerto Rico Internal Revenue Code of 2011, Act 1-2011 and those imposed under the Insurance Code. Taxpayers may elect to pay the total principal owed with respect to only one or more of the types of taxes (i.e. income tax, estate tax, etc.). The taxpayer must indicate the tax year or the collection notice for which the payment is being made, otherwise the payment will be applied in strict order from oldest to current.

All payments made under the Tax Amnesty will be final and will not generate any refund or credit.

The Secretary of the Treasury ("Secretary") is authorized to grant payment plans under the Tax Amnesty if such a plan is requested on or before February 29, 2012 and paid on or before June 30, 2012.

A taxpayer may challenge any tax debt on the Department of the Treasury's records and benefit from the Tax Amnesty, if the objection is made on or before February 29, 2012 and the tax is paid 30 days after the Secretary's notice denying the objection.

The Tax Amnesty is not available to the following:

1. exempt entities under: (i) Act 73-2008, also known as the "Economic Incentives for the Development of Puerto Rico Act"; (ii) Act 74-2010, also known as the Puerto Rico Tourist Development Act of 2010; or predecessor of these acts or any act of analogous nature;
2. elected public officials;

3. taxpayers that have an ongoing proceeding for tax related crimes, that were convicted for tax fraud, whose source of income is illegal, or whose activities or businesses may be identified as criminal activities under Act No. 33 of July 13, 1978, as “the Act Against Organized Crime”; and
4. taxpayers who filed an objection determined by the Secretary as frivolous or to fraudulently benefit from the Tax Amnesty, as determined by the Secretary.

For updates on this matter, you may contact any of the attorneys listed below, all members of our Tax Practice Group:

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