

Isabela High Value Property Tax Announced

ATTORNEYS

- Jorge M. Ruiz-Montilla
- Patricia George-Iguina
- Salvador F. Casellas
- Harry O. Cook
- Paul R. Cortés-Rexach
- Jorge J. Rexach-Vaquer
- Carla S. D'Almeida-Aracena
- Diego R. Puello-Álvarez

PRACTICE AREAS

- Corporate & Commercial Finance
- Hospitality
- Housing Development
- Real Estate, Hospitality & Finance

An McV Real Estate Alert

June 23, 2025

On May 7, 2025, the Municipality of Isabela approved Municipal Ordinance No. 20 of the 2024-2025 series (the “[Ordinance](#)”), which levies a special transfer tax on purchasers of certain “high-value” real estate properties located in the Municipality of Isabela (the “[Transfer Tax](#)”). The Ordinance also creates the “Isabela Welfare Fund”, a special fund intended to improve and maintain the quality of life in Isabela to be funded by the Transfer Tax. The specific purposes of said fund are set forth in the Ordinance.

The Transfer Tax is intended to apply to transfers or conveyances (including resales) of real property valued at One Million Dollars (\$1,000,000) or more, as well as “second homes” valued at Three Hundred Thousand Dollars (\$300,000) or more. The Ordinance does not define the term “second home”.

The Transfer Tax is calculated as follows:

Type of Property

Total Transaction Value

Transfer Tax

Second Homes

\$300,000.00 to \$999,999.99

1% of the transaction value.

All Real Properties (including Second Homes)

\$1,000,000.00 to \$5,000,000.00

1% of the transaction value.

All Real Properties (including Second Homes)

Isabela High Value Property Tax Announced

\$5,000,000.00 up to \$10,000,000

1% of the transaction value for the first \$5,000,000.00 and 0.75% of the transaction value in excess \$5,000,000.00.

All Real Properties (including Second Homes)

\$10,000,000.00 or more

- 1% of the transaction value for the first \$5,000,000.00;
- 0.75% of the transaction value in excess of \$5,000,000.00 up to \$10,000,000.00;
- 0.50% of the transaction value in excess of \$10,000,000.00 up to \$20,000,000.00; and
- 0.25% of the transaction value in excess of \$20,000,000.00.

The Transfer Tax shall not apply to the following real estate transactions:

1. Involuntary transfers where a creditor acquires title to a property through foreclosure or deed in lieu of foreclosure;
2. Property acquired through eminent domain or expropriation;
3. Property acquired for the development of a home/dwelling or newly built residential properties acquired from a real estate developer as part of a development or housing project; and
4. Transactions involving the acquisition and disposition of real estate for industrial purposes and/or hotels, churches, schools, universities, and institutes. This exemption does not specifically mention other types of commercial properties nor clarify the types of institutes covered by the exemption.

The Transfer Tax must be paid via certified check or wire transfer to the Municipality of Isabela within two (2) business days from the date of closing of the transfer of the real property (the “Deadline”). Moreover, notice must be delivered to the Municipality’s Director of Finance at least three (3) days prior to the date of closing stating the date, time and place where the closing of the transfer of the real property will be held, as well as the purchase price for said property.

Isabela High Value Property Tax Announced

Parties to transactions exempt from the Transfer Tax are also required to deliver notice at least three (3) days prior to the date of closing, certifying the reasons for the exemption. The Municipality will review the same and will either issue an Exemption Certificate on or prior to closing, or notify the buyer, no later than the Deadline, the reasons for not granting the exemption and that the Transfer Tax must be paid by the Deadline. While the buyer may request reconsideration from the Municipality's determination and eventually judicial review from the courts, the buyer must nevertheless pay the Transfer Tax by the Deadline. If reconsideration is granted or a court rules in favor of the buyer, the Transfer Tax paid by such buyer will be returned by the Municipality.

If a buyer fails to pay the Transfer Tax by the Deadline, the Transfer Tax, plus an additional amount of 25% thereon consisting of an administrative fine, will become a lien on the property, which may be recorded by the Municipality in the Registry of Property. Additionally, the buyer shall be required to pay 10% interest accrued on the unpaid Transfer Tax as of the Deadline. It is unclear if the 10% interest will also accrue over the unpaid 25% administrative fine set forth in the previous sentence.

The content of this McV Alert has been prepared for information purposes only. It is not intended as, and does not constitute, either legal advice or solicitation of any prospective client. An attorney-client relationship with McConnell Valdés LLC cannot be formed by reading or responding to this McV Alert. Such a relationship may be formed only by express agreement with McConnell Valdés LLC.