

## Puerto Rico Housing Boost Program Incentives Extended

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### PRACTICE AREAS

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### An McV Real Estate & Tax Alert

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The Governor of Puerto Rico recently signed into law an amendment (the “2018 Amendment”) to the Housing Boost Program Transitional Act, Act 216-2011, as amended (“Act 216”). The 2018 Amendment extends some of the incentives set forth under Act 216.

The following is a summary of the incentives and benefits extended under the 2018 Amendment:

- Purchase and sale of an Existing Residential Property or other Non-Residential Property acquired between September 1, 2010 and June 30, 2013 with a sales price not exceeding \$3,000,000 (a “Qualified Property”):
  - Taxpayers with capital losses resulting from the sale of Qualified Property that takes place between November 1, 2011 and December 31, 2020 benefit from a 15-year net capital loss carryforward.
- Purchase and sale of a newly constructed residential property located in Puerto Rico which has not been previously occupied and was purchased directly from the developer (an “Eligible Residence”):
  - Net long term capital gains made by a seller or a Qualified Institutional Investor from the sale of an Eligible Residence acquired between July 1, 2013 and December 31, 2020 will be 100% exempt from the payment of alternate basic tax and alternative minimum tax. The same exemption shall apply to a purchaser when acquiring an Eligible Residence from a Qualified Institutional Investor, provided that said sale constitutes the first sale made by the Qualified Institutional Investor after acquiring the Eligible Residence. Act 216 defines a “Qualified Institutional Investor” as any natural or legal person who is a Puerto Rico resident, or any natural or legal person that is not a Puerto Rico resident but is engaged in the construction business and invests in a single act or in separate acts, exclusively in Eligible Residence units, a minimum of one million dollars (\$1,000,000) or acquires no less than five (5) Eligible Residences.
  - The purchaser or Qualified Institutional Investor of an Eligible Residence acquired between July 1, 2013 and December 31, 2020 will enjoy a 100%

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exemption from the payment of real property tax, as provided by Act 83-1991, as amended, for a maximum period of 5 years. This exemption will end no later than December 31, 2022. This exemption also applies to a purchaser that acquires an Eligible Residence from a Qualified Institutional Investor, provided said sale constitutes the first sale made by the Qualified Institutional Investor after acquiring the Eligible Residence.

- All parties, including a Qualified Institutional Investor, to a purchase and sale transaction of an Eligible Residence occurring between July 1, 2013 and December 31, 2020 will have a 100% exemption from the payment of all internal revenue stamps and vouchers required for the execution and filing of deeds with any public registry with respect to the purchase, sale, lease, financing, and mortgage of an Eligible Residence. The same exemption shall apply to a purchaser when acquiring an Eligible Residence from a Qualified Institutional Investor, provided that said sale constitutes the first sale made by the Qualified Institutional Investor after acquiring the Eligible Residence. This exemption shall not apply, however, to the applicable Notarial Tariff, Notarial Stamp and Legal Assistance Stamps to be cancelled on the original and certified copies of any such deeds.

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