

Real Property Tax Amnesty: Proposed Special Regulation Approved

ATTORNEYS

- Isis Carballo-Irigoyen
- Yamary I. González-Berríos
- Rubén Muñiz-Bonilla
- Lillian Toro-Mojica
- Mariana M. Contreras-Gómez
- Rafael Fernández-Suárez
- Leyla González-Ibarría
- Xenia Vélez
- Carlos J. Villafañe-Real
- Dalina Sumner

PRACTICE AREAS

- Tax

An McV Tax Alert

October 18, 2021

On September 24, 2021, the Board of Directors of the Municipal Revenue Collection Center (“CRIM”, for its Spanish acronym) approved a proposed regulation titled “*Special Regulation in Benefit of the Taxpayer for the Payment of Debt*” that creates the *Program to Collect Delinquent Tax Debts* (the “Program”), granting temporary discounts on the principal amount of certain real property tax debts and relief from interest, surcharges, and penalties.

Following CRIM’s fiscal plan approved by the Financial Oversight & Management Board of Puerto Rico, the purpose of the Program is to provide a final opportunity to the taxpayers to update their records and pay outstanding debts owed for real property taxes. Any debts that are not voluntarily settled under the Program could be subject to acquisition by third parties who will have every right granted to CRIM under Act 107-2020, as amended, (the “Municipal Code”) to enforce collection.

BENEFITS

Payment Options According to Years Owed and Payment Periods

Real Property Tax Debts for fiscal years 2016-17 to 2019-20:

- If the taxpayer pays between November 5, 2021 and January 31, 2022, (s)he pays only the principal amount, without interest, surcharges, or penalties.
- If the taxpayer pays between February 1, 2022 and June 30, 2022, (s)he pays only the principal and interest, without surcharges, or penalties.

Real Property Tax Debts for fiscal years prior to 2016-17:

- If the taxpayer pays between November 5, 2021 and January 31, 2022, (s)he has a right to a 55% discount on the principal amount owed, without interest, surcharges, or penalties.
- If the taxpayer pays between February 1, 2022 and April 30, 2022, (s)he has a right to a 40% discount on the principal amount owed, without interest, surcharges, or penalties.

Real Property Tax Amnesty: Proposed Special Regulation Approved

- If the taxpayer pays between May 1, 2022 and June 30, 2022, (s)he has a right to a 25% discount on the principal amount owed, without interest, surcharges, or penalties.

Within 90 days of the payment date the Executive Director of the CRIM will issue a negative debt certificate to the taxpayer.

ELIGIBILITY

Any taxpayer with real property tax debts for all fiscal years, excluding years 2020-2021 and 2021-2022, will be eligible. Taxpayers currently involved in any administrative or judicial procedure can participate in the Program, as well as taxpayers currently under a payment plan or a closing agreement with the CRIM. Also, taxpayers who are in a bankruptcy proceeding, with prior authorization from the Bankruptcy Court, can renegotiate the pending balance in their payment plan with the CRIM.

REQUIREMENTS

To participate in the Program, the taxpayer must pay or have already paid their real property taxes for fiscal years 2020-21 and 2021-22. If the taxpayer cannot pay these years in one payment, the CRIM is authorized to set up a payment plan pursuant to Article 7.060 of the Municipal Code, which will only cover past due amounts owed for fiscal years 2020-21 and 2021-22.

LIMITATIONS

The payment option under the Program will be voluntary and final for all purposes and will not be subject to any subsequent claims. In other words, any amounts paid under this proposed regulation will not be refunded.

Any taxpayers who filed a request for self-assessment under Article 7.062 of the Municipal Code, cannot participate in the Program. Furthermore, no elected officials, nor officials appointed by the Governor or confirmed by the Senate or Legislature can participate in the Program.

The proposed regulation establishes a uniform procedure that includes the prior consent of the Board of the CRIM; the Secretary of the Treasury; and the mayor of the municipality where the property is located. If a mayor decides not to participate in the Program, taxpayers will still have the ordinary closing agreement alternative.

Real Property Tax Amnesty: Proposed Special Regulation Approved

EFFECTIVE DATES AND CURRENT STATUS

The proposed regulation is currently open for comments and requests for a public hearing. It will be effective immediately after it is filed and published by the Puerto Rico State Department, as per Act 38-2017, as amended. Once in effect, the Program will end on June 30, 2022.

You may access the Special Regulation on this link.

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.