



CRIM's New Regulation: Appraisals Made by an Authorized Professional Evaluator

By: **María Adorno**

On February 12, 2019, the Governor signed Act 9 to amend the Municipal Property Tax Act of 1991, as amended (the "MPTA"), to allow taxpayers to self-assess certain real property through the inclusion and amendment of Articles 3.01B and 3.08 of the MPTA, respectively.

On November 15, 2019, the Municipal Revenue Collection Center ("CRIM" for its Spanish acronym) issued Regulation Number 9129 regarding the amendments made by Act 9-2019. This regulation addresses appraisals to be made by an Authorized Professional Evaluator ("EPA" for its Spanish acronym) contracted by owners of real property ("Real Estate Owners"). This regulation establishes the guidance and requirements for contracted appraisals as to promote the real property self-assessment to increase the CRIM's collections.

Overview

The regulation establishes that Real Estate Owners will have up to the following dates to avail themselves of the benefits therein provided:

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1. December 31, 2020; or
2. After such date, but within six (6) months after the acquisition of the real property or construction of improvements.

The Real Estate Owners must engage an EPA with a valid license issued by the Examining Board of Professional Real Estate Appraisers of Puerto Rico to appraise the property and determine the corresponding classification and tax. The EPA may appraise property that has not been previously segregated or appraised but has a registry number ("número de catastro" in Spanish) at the CRIM. Real estate improvements not previously appraised by the CRIM can also be appraised under the provisions of this regulation.

What are the benefits of submitting to the CRIM the EPA appraisal under this regulation?

Real Estate Owners that do not wish to avail themselves to the provisions of this regulation, will be subject to an appraisal of real property by an agent of the CRIM or the Municipality (the "CRIM Appraisal"). The CRIM Appraisal will be retroactive up to five (5) years from the date on which the property is appraised and the taxable value of such real property will be computed under the provisions of the MPTA and the municipality tax rate in effect at the time of such valuation. Real Estate Owners that choose to hire an EPA, will pay to the CRIM based on the ten point fifty five percent (10.55%) value of the appraisal made by the EPA when such value is determined by the market value of such property or improvement (after available exemptions and exonerations) and both, the value and the determined real property tax will be effective from the date of the appraisal and subsequent periods. However, the regulation grants twenty-four (24) months to the CRIM for such assessment, unless certain conditions are met.

Note, that the EPA appraisal does not replace the appraisals that have already been made by the CRIM. Therefore, for

previously assessed properties, only improvements made to such property may be assessed under the provisions of this regulation (so that they can be added to the value already reflected on the real property's appraisal card at the CRIM).

Other issues to be considered

- The EPA cannot be the Real Estate Owner, or an employee, or a related person of the Real Estate Owner.
- If the real property appraised by an EPA is later appraised by the CRIM, the value of the property will be the one established by the CRIM from thereon.
- Real Estate Owners can deduct from the payment of real property tax during the first year of the appraisal the costs of contracting an EPA up to a maximum of \$500. This amount is nonrefundable.
- Penalties will be imposed to those who are participants of fraudulent appraisals.

ATBA Comments:

The CRIM is seeking to promote the appraisal through self-assessment of real properties as, due to the lack of resources, appraisals cases are being handled by the CRIM at a slow pace. Therefore, with this new opportunity the CRIM will be able to balance the lack of resources and increase the collections of real property tax. Additionally, the possibility to hire an EPA to appraise property is a great opportunity for taxpayers who acquired property or made improvements more than a year ago and such property has not been appraised. The appraisal made by an EPA will be effective from the date of the appraisal and there on. Therefore, the Real Estate Owners that avail themselves of the provisions of this regulation will have the opportunity of not being charged on the retroactive 5-year period applicable to the appraisals made by the agents of CRIM or Municipalities.

At ATBA we can assist you with the compliance of this regulation and other tax related matters.

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