



Act 6-2019: Private Assessment of Real Property Allowed on Unassessed Property

By: **Vicente J. Cajigas-Campbell**

On February 12, 2019, Senate Bill 857 was converted into Act 6-2019 (the “Act”). This Act, among other things, establishes a new appraisal mechanism for unassessed real property, which we will discuss in this newsletter. Below we will summarize the most relevant provisions of the Act.

The Act introduces Article 3.01B to the Municipal Property Tax Act of 1991, as amended, which states that, with certain restrictions, any person may contract a Professional Real Estate Appraiser (“EPA” for its Spanish acronym) to appraise its unassessed real property with the purpose of determining its classification and applicable real property tax. The following aspects must be taken into consideration:

- To be eligible for the new appraisal mechanism, the subject property cannot have a mortgage lien.
- The EPA engaged to perform the appraisal must be licensed in Puerto Rico and cannot be the owner or an employee of the owner of the property, nor can be related within the 4th grade of consanguinity.
- Once the property is appraised by the EPA, a 10.55% of the appraised value will be used by the Municipal Revenue Collection Center (“CRIM” for its Spanish acronym) as the appraised value if the assessed value is based on the fair market value of the

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property or improvement. If an exemption or exoneration is available, it can be applied to the appraised value to determine the taxable value. The taxable value will then be subject to the applicable municipal tax rate (which varies per municipality and currently ranges from 8.03% to 12.33%).

- The real property tax on the new appraised property will apply prospectively.
- The taxpayer may credit against the real property tax of the first fiscal year up to \$500 of the expenses incurred and paid for the EPA's appraisal.
- The appraisal made by the EPA must be submitted to the CRIM by December 31, 2020 or if after that date, within 6 months of acquiring the property or making the improvement.
- With certain exceptions, the CRIM has 24 months to make its own assessment over the property appraised by the EPA. Once the CRIM makes such assessment, the appraised value will become that determined by the CRIM. However, the value appraised by the CRIM will apply prospectively, and no deficiency should be imposed to the taxpayer on previous periods in which the tax was properly paid based on the assessment made by the EPA.
- In cases in which a taxpayer has not opted for this new appraisal mechanism, the CRIM may assess the real property tax retroactively up to 5 years.
- The Act also includes amendments to the administrative review proceedings, basically to incorporate its applicability to the new appraisal mechanism and to reduce certain terms from 60 to 30 days.

The provisions of the Act are effective since its approval and the CRIM must issue the related regulations within 90 days from the approval date.

Reminder: Extension on the Federal Benefit for the Retention of Employees

On January 11, 2019, the Puerto Rico Treasury Department issued Informative Bulletin of Internal Revenue 19-01 to notify that the due date to claim the Federal Benefit for the Retention of Employees was extended to March 31, 2019. Additionally, the due date to make amendments to certain claims already filed was extended to April 30, 2019.

ATBA Comments

The new appraisal mechanism proposed by the Act may represent real property tax savings to some owners of real property, especially because it avoids the retroactive appraisal by the CRIM. We encourage to analyze your unassessed real property to determine if the new appraisal mechanism is the best alternative for your specific circumstances.

Also, it is very important that employers verify their records to be certain that a claim for the Federal benefit for the retention of employees was filed and, if already filed, that it was properly done.

At ATBA, our experienced advisors are eager to assist with these and other tax matters.

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Vicente is a Manager at Alvarado Tax & Business Advisors. Before joining the firm he worked as Tax Senior Consultant at Deloitte Tax LLP where he provided tax compliance and consulting services to several multinational clients. His Curriculum Vitae includes experience in the corporate and individual tax advisory practice representing clients before the Puerto Rico Treasury Department on complex cases as well as also participated in the development of Closing Agreements with different governmental agencies.

With regards to specific areas of technical expertise, Vicente provides corporate and individual tax services for clients in the retail, manufacturing, and service industries, among others. At present, he manages an outsourcing division in our Firm providing finance and accounting services to local and international business entities doing business in Puerto Rico.

Vicente is member of the Puerto Rico Certified Public Accountants Society and the American Institute of Certified Public Accountants. He is also Certified in Financial Forensics and is a Chartered Global Management Accountant. He has a Bachelor degree in Business Administration, major in Accounting and Marketing from the University of Puerto Rico.

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