



GOVERNMENT OF PUERTO RICO
DEPARTMENT OF ECONOMIC
DEVELOPMENT AND COMMERCE

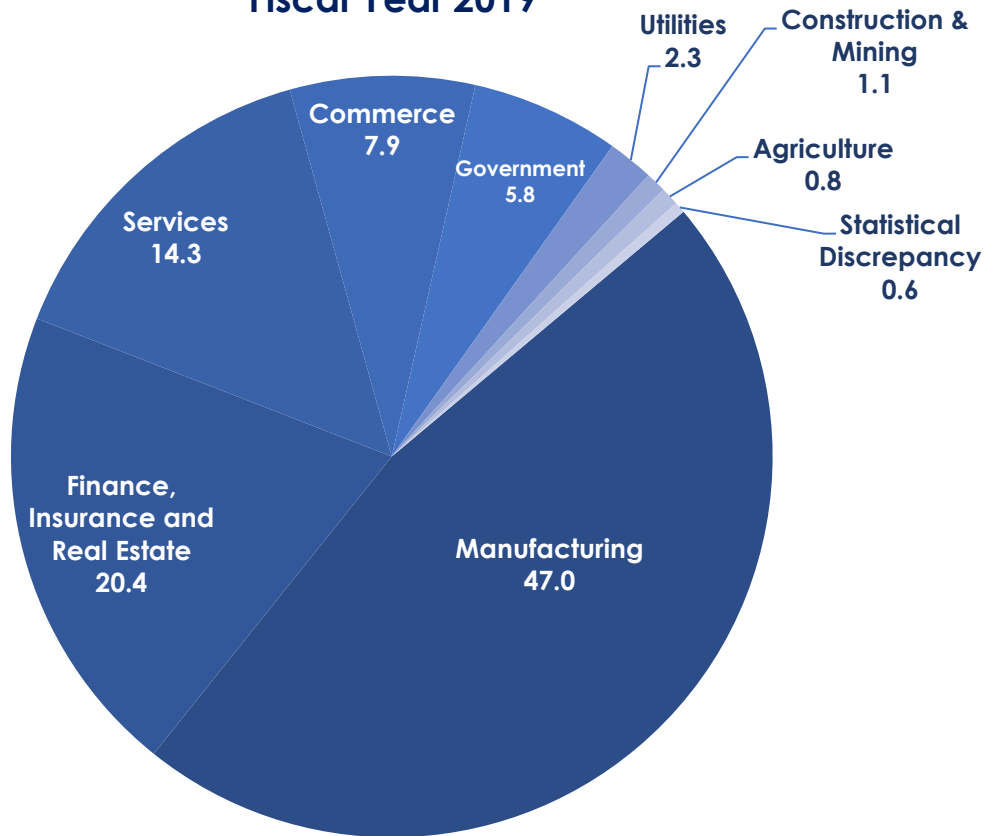
OPPORTUNITY ZONES PROGRAM

Department of Economic
Development and Commerce



Our Economy

Gross Domestic Product Share by
Main Economic Sector
Fiscal Year 2019



Source: P.R. Planning Board

Strategic Objective:
Grow and diversify our economy

GNP \$68.0 billion
GDP \$101.1 billion
GDP Per Capita \$31,022
Exports Value \$60.6 billion
Imports Value \$46.5 billion

TOURISM: 2.0% of GDP and estimated to 4.2%* in 2019 as a total contribution to the Economy GDP

(including wider effects from investment, the supply chain and induced income impacts).

*calculated by the World Travel & Tourism Council (WTTC)

Contribution to Total MFG GDP FY 2019

36.3% Pharmaceutical Industry (includes Bio-Pharma)
22.0% Computer and Electronics
26.9% Basic Chemicals
5.4% Medical Devices
2.5% Beverages & Tobacco
2.5% Food
1.5% Electrical Equipment & Components
3.0% Others

Public Policy for Economic Development



GOVERNMENT OF PUERTO RICO
DEPARTMENT OF ECONOMIC
DEVELOPMENT AND COMMERCE



Investment



Export



Technology



Innovation



"Ease of Doing
Business"



New Business



Retain/
Expand Business



SME's

Strategic Sectors

A.

$$\text{GDP} = \begin{array}{|l|} \hline \text{Personal} \\ \text{consumption} \\ \text{expenditure} \\ \hline \end{array} + \begin{array}{|l|} \hline \text{Government} \\ \text{consumption} \\ \text{expenditure} \\ \hline \end{array} + \begin{array}{|l|} \hline \text{Gross public*} \\ \text{domestic} \\ \text{investment} \\ \hline \end{array} + \begin{array}{|l|} \hline \text{Gross private} \\ \text{domestic} \\ \text{investment} \\ \hline \end{array} + \begin{array}{|l|} \hline (\text{Sales} \\ \text{Exports} \\ \hline \end{array} - \begin{array}{|l|} \hline \text{Purchases} \\ \text{Imports} \\ \hline \end{array}$$

1 AGRO INDUSTRIES

- Specialty Crops
- Basic Basket
- Food Processing

2 ADVANCED MANUFACTURING

- Bio Science
- Medical Devices
- Material Science

3 AEROSPACE

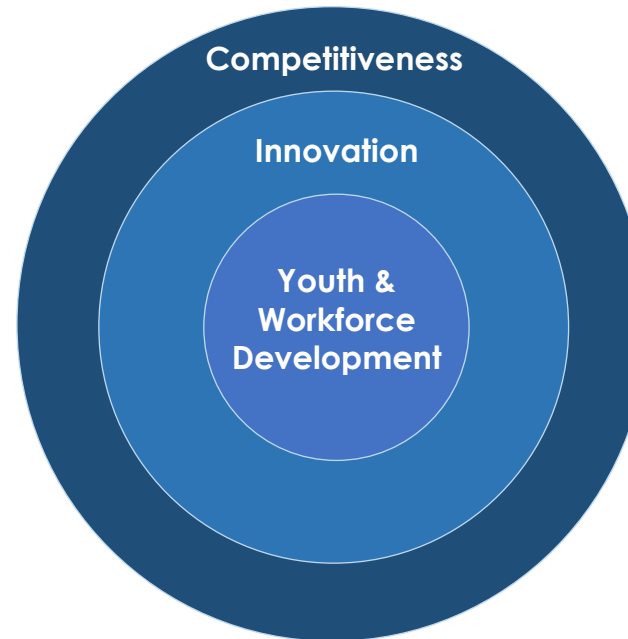
- Electro-Mechanical Components
- MRO
- Engineering & Testing

4 TECHNOLOGY

- IOT & Smart Cities
- Blockchain
- FinTech
- Sharing Economy
- Healthcare IT

5 CREATIVE ECONOMY

- Film Productions & Streaming
- Creative & Digital Content
- Music, Culture, Arts and Entertainment



6 OCEAN ECONOMY

- Ocean Technologies
- Ocean-Related Activities
- Deep Ocean Applications

7 BIO ECONOMY

- Bio-Based Raw Materials
- Industrial Hemp
- Medical Cannabis
- Bio Fuels
- Recycling

8 EXPORT SERVICES

- Insurance & Finance
- Consulting
- Technology

9 VISITORS ECONOMY

- Groups & Conventions
- Leisure & Cruise Industry
- Medical Tourism
- Sports & Nautical Tourism
- Eco & Agro Tourism

PUERTO RICO INCENTIVES CODE

ACT 60-2019



INDIVIDUALS



EXPORT



FINANCE &
INSURANCE SERVICES



VISITORS
ECONOMY



MANUFACTURING



INFRASTRUCTURE &
GREEN ENERGY



AGRICULTURE



CREATIVES
INDUSTRIES



ENTREPRENEURSHIP



OPPORTUNITY
ZONES



OTHER
INCENTIVES

AGILE • SIMPLE • TRANSPARENT

What is an Opportunity Zone?



- It is an **economically deprived community** where new investments, under certain circumstances, may be eligible for a preferential tax treatment.
- The communities are certified by the United States' Treasury Secretary, through the IRS.

Legal Background

- The 2017 federal Tax Reform created the **Opportunity Zones Program** to attract investments and generate economic development in low income communities, known as **Qualified Opportunity Zones**.
- 98% of Puerto Rico was designated as an Opportunity Zone, which makes the island more attractive for investments.
- With the purpose of transforming the Island into an idyllic jurisdiction for investments, Puerto Rico's Government approved Act 21-2019, known as "2019 Puerto Rico's Opportunity Zones and Economic Development Act" (Act 21).
- Act Number **60-2019, known as Puerto Rico's Incentive Code, derogated Act 21**. Nevertheless, the new Incentives Code adopted the regulations of that Law.

Public Policy Declaration



Transform Puerto Rico into an Opportunity Zones Funds destiny, where to invest in Priority Projects in Opportunity Zones.



Provide the atmosphere to create local and foreign capital to invest in Priority Projects in Opportunity Zones.

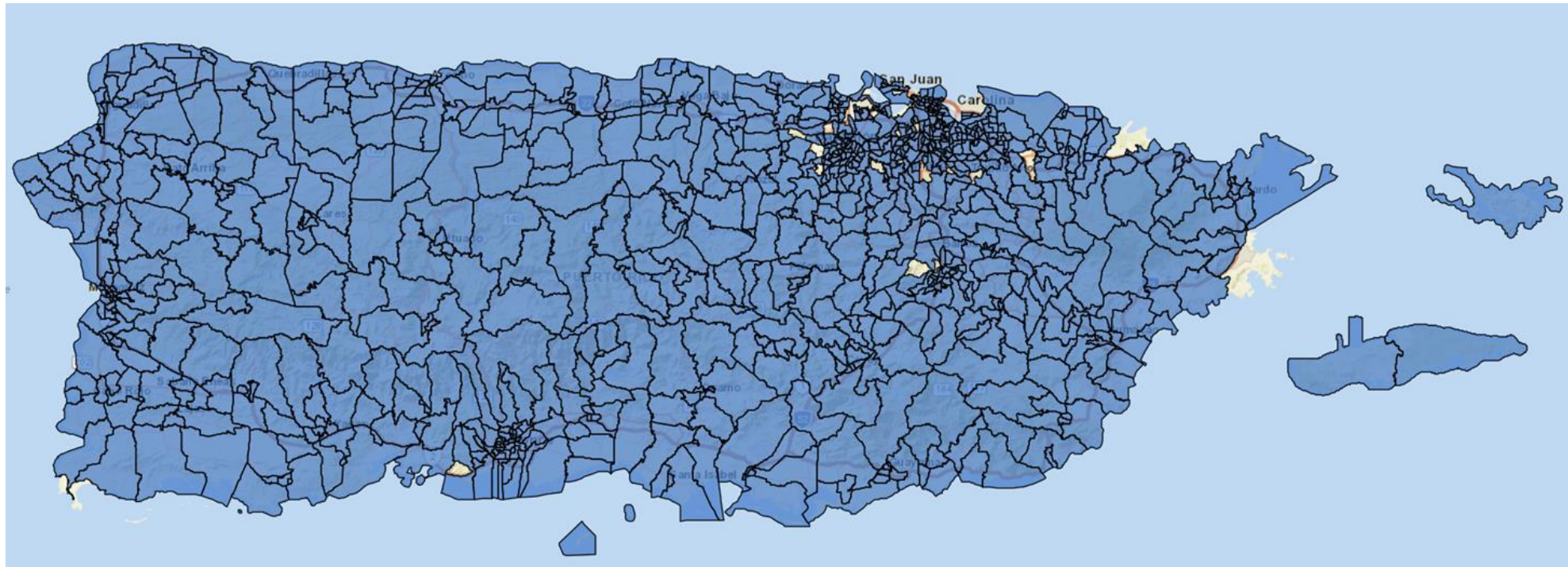


Establish the legal, tax and regulatory frame to incentivize, accelerate and promote investment in Priority Projects in Opportunity Zones.

Puerto Rico = 98% Opportunity Zone



GOVERNMENT OF PUERTO RICO
DEPARTMENT OF ECONOMIC
DEVELOPMENT AND COMMERCE



Deferral and Exclusion of Capital Profits



If an eligible taxpayer has an eligible profit and invests it in a **Qualified Opportunity Fund (QOF)**, does not have to pay taxes during the year it was generated. The **QOF is an investment** vehicle created to invest in Qualified Opportunity Zones.

The deferred earnings should be recognized **before December 31, 2026**.



If the investment in a QOF is maintained **for 5 years**, the investor will tribute for the **90%** of the capital earnings invested in the QOF.



If the investment in a QOF is maintained **for 7 years**, the investor will tribute for the **85%** of the capital earnings invested in the QOF.



If the investment in a QOF is maintained **for 10 years**, the earnings generated by the investments in QOF will be **totally exempted** from taxation.

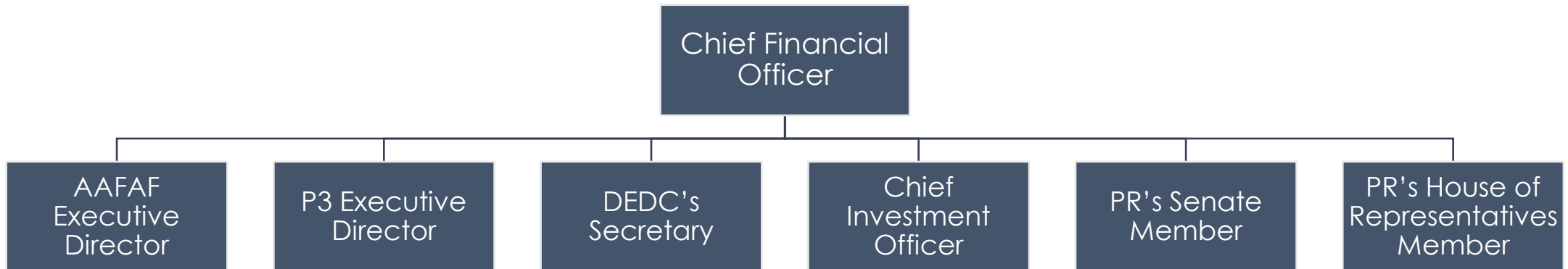
Benefits to Exempted Businesses



Services	Rates and Exemptions
Tax rate over eligible income	18.5% fixed
Dividend Payment	100% exempted
Patents, excise taxes and other municipal taxes	25% exempted with the possibility to increment it to 75%
Municipal and state payments over property taxes	25% exempted with the possibility to incremented to 75%
Any tax, rights, licenses and excised taxes (including construction taxes)	25% exempted with the possibility to increment it to 75%
Investment credit	5%-25%

Committee

“Priority Projects in Opportunity Zones Committee”, assigned to the Governor’s Office



If asked by the Committee President, the Governor can designate other members to the Committee to attend specific requests, related to the business nature.

Eligible Activity



What is an eligible activity?

- It is a **Priority Project** in Opportunity Zones. This means that a business, industry or other production activity which generates income and will contribute to the eligible community's diversification, recuperation and socio-economic transformation.

Which are the eligible business activities in Priority Projects?

- Property acquisition and/or construction or substantial improvements to existing properties for sale or rent:
 - Housing for low income people
 - Residential, commercial or industrial use properties

Eligible Activities

Committee's
19-01 Resolution



- **Priority Projects:**

- Development activities (construction or substantial improvements) for sale or rent:
 - Affordable housing
 - Residential or commercial property
 - Industrial use property
 - Substantial improvement of existing projects for commercial use

Activities which are not published as Priority by the Committee



Any person interested in an activity to be considered as a Priority Project in an Opportunity Zone, which is not listed as so in the Committee's published list:

- Will apply for its designation as so, writing a letter to the Committee. A copy of the letter should be sent to the Secretary of Economic Development and Commerce.
- In the request, the person interested in establishing and economic activity in a geographic zone, including the Municipal Majors, will explain and present a description of the activity proposed, its location, its merits and any other information required by the Committee through regulations or administrative orders.
- In 30 days, after the request date, the Committee will approve or deny it; or will write a request to provide the necessary additional information.
- The Committee will evaluate the information presented to designate the activity as Priority Project or expand the geographic zone to an activity already approved in other region.
- In case the request is approved, an amended Priority Projects list will be published, including the new activity.

Eligible Business



An Eligible Business:

- The business activity is totally done in an Eligible Zone.
- The activity is not eligible for a tax exemption under prior incentives' laws.
- The business is carried through the Fund or an entity where the Fund invests under the IRS Code, Section 1400Z-2(d)(2).
- The activity is a Priority Project in a **Qualified Opportunity Fund (QOF)**.

Opportunity Fund



Qualified Opportunity Fund means and entity that fulfils these requirements:

- No later than the operations starting date, according to the Code's 6070.59 Section, Part (e), and during the designated period established in Section 1400Z-1 (f) of the IRS Code, the entity is an "Opportunity Zone Fund", as established in the Code's 1400Z-2(d) (1) Section.
- During the period that stars the following day after the expiration of the designation established in Section 1400Z-1 (f) of the IRS Code, and which ends on the decree expiration date, the entity could qualify as an "Opportunity Zone Fund", according to Section 1400Z-2(d)(1) of the IRS Code, if such designation is still current.

Eligible Investment



Being an Eligible Business means the cash it has contributed to:

- A Fund which is an exempted business, in exchange for shares emitted by the Fund (if it is a corporation); or in exchange for a participation in the Fund (if it is a society, limited responsibility company or a common business).
- A fund in exchange of shares emitted by the Fund (if it is a corporation) or in exchange for a participation in the Fund (if it is a society, limited responsibility company or a common business) and the Fund invests those contributions to the capital of a corporation which is an exempted business or a society which is an exempted business, in exchange for shares emitted by the corporation or in exchange for a participation in the society (if it is a limited responsibility company, society or common business) and such Fund's investment complies with Section 1400Z-2(d)(2) of the IRS Code.
- A corporation which is an exempted business, in exchange for shares emitted by the corporation or to a limited responsibility company, society o business in common, which is an exempted business, in exchange for a participation in a limited responsibility company, society or business in common, as long as a Fund invests in such corporation, limited responsibility company, society or business in common, and such investment complies with Section 1400Z-2(d)(2) of the IRS Code.

OPPORTUNITY ZONES

Federal Incentives:
Foreign Investors
brings capital gains to:

Puerto Rico's Incentives
Puerto Rico residents
brings cash to:

OPPORTUNITY ZONES FUND

1. An exempted business which carries eligible activities; or
2. Invest in an exempted business which carries eligible activities

Eligible incentive activities:

- Tourism
- Manufacture
- Infrastructure
- Renewable Energy
- Agriculture
- Creative Industries
- Export of services

Eligible activities incentivized under Opportunity Zones:

- Residential Immutable Property Development
- Commercial Immutable Property Development
- Social Interest Activities

Puerto Rico's Incentives Code (Act 60-2019):

- Strategic Projects
- Expedited Permit

Puerto Rico's Incentives Code (Opportunity Zones Section)

- Priority Projects
- Expedited Permit

Incentives Code

Decree Request



1. Activity published by the Committee, in Priority Projects Resolution.
2. Nonpublished activity by the Committee, in Priority Projects Resolution:
 - The petitioner may request the Committee to designate the proposed activity as a Priority Project.
 - The Municipal Majors can appear to the Committee as petitioner.
 - The Committee should submit the determination in a 30 days period, extendable for 15 days.
 - If a determination is not submitted in the applicable term, the request was denied.
 - If the request was approved, the new activity will be included in an amended Priority Projects list.

Incentives Code

Decree Request



- Present a request to obtain a tax exemption decree at the Office of Incentives for Businesses in Puerto Rico.
- A rights' fee must be paid, as established in the Regulations.
- 5 days after receiving the request, the Office of Incentives for Businesses in Puerto Rico Director will send it to the DEDC's Secretary, who will present an Eligibility Report about the activity submitted by the eligible business.
- In 5 business days, after receiving the Eligibility Report, the Office of Incentives for Businesses in Puerto Rico Director will send the Decree Project to the concerned agencies.

Incentives Code

Decree Request



- The agencies must send recommendations about the decree project, in less than 10 days, to the Office of Incentives for Businesses in Puerto Rico Director. If recommendations are not received, the Director will understand that the recommendations were favorable.
- The Office of Incentives for Businesses in Puerto Rico Director must submit de decree project and his recommendation to the DEDC's Secretary during the next 5 days.
- The DEDC's Secretary must submit the final determination about the decree approval during the next 5 days.

Decree

Incentives Code

Decree



- The decree is a contract between the exempted business and Puerto Rico's Government, which includes benefits, terms and conditions that will rule the contractual relation.
- DEDC's Secretary has the discretion to include additional terms and conditions in the decrees.
- The decree exemption term is 15 years.

Incentives Code

Annual Reports



- Obligation to submit annual reports to the DEDC's Office of Incentives for Businesses in Puerto Rico.
- The failure to present the annual reports may entail the imposition of administrative fines and the decree's revocation.

Regulations



Publication date in El Nuevo Día newspaper of the Public Notice to **Approve Regulations to Stablish the Dispositions of Sections 6070.54-6070.69 of Act Num. 60-2019, known as Puerto Rico's Incentive Code**, for the general public to revise it during a 30 days term.



The Regulations are in the administrative process required by Act Num. 38 of 2017, Law of Puerto Rico's Uniform Administrative Proceedings.

Future Determinations



DEDC's Regulations



Available Properties' Inventory

- Owner
- Municipality
- Location
- Type of Property
- Area (ft²)
- Building Height
- Area of the Land (m²)
- Previous Use
- Zonification
- Cadastre Number

Tax Exemption Request



GOVERNMENT OF PUERTO RICO
Department of Economic Development and Commerce

**TAX INCENTIVES APPLICATION
OPPORTUNITY ZONES FOR THE ECONOMIC DEVELOPMENT
OF PUERTO RICO**
SECTION 6070.60 OF ACT NO. 60-2019

Last Revision: 12/2019

Case Number: _____

A. Applicant's Information

Legal Name of the Entity: _____
Physical Address: _____
Mailing Address: _____
Business Phone: _____ Email: _____
Secondary Phone: _____ Website: _____
Employer Identification Number: _____

B. Applicant's Representative

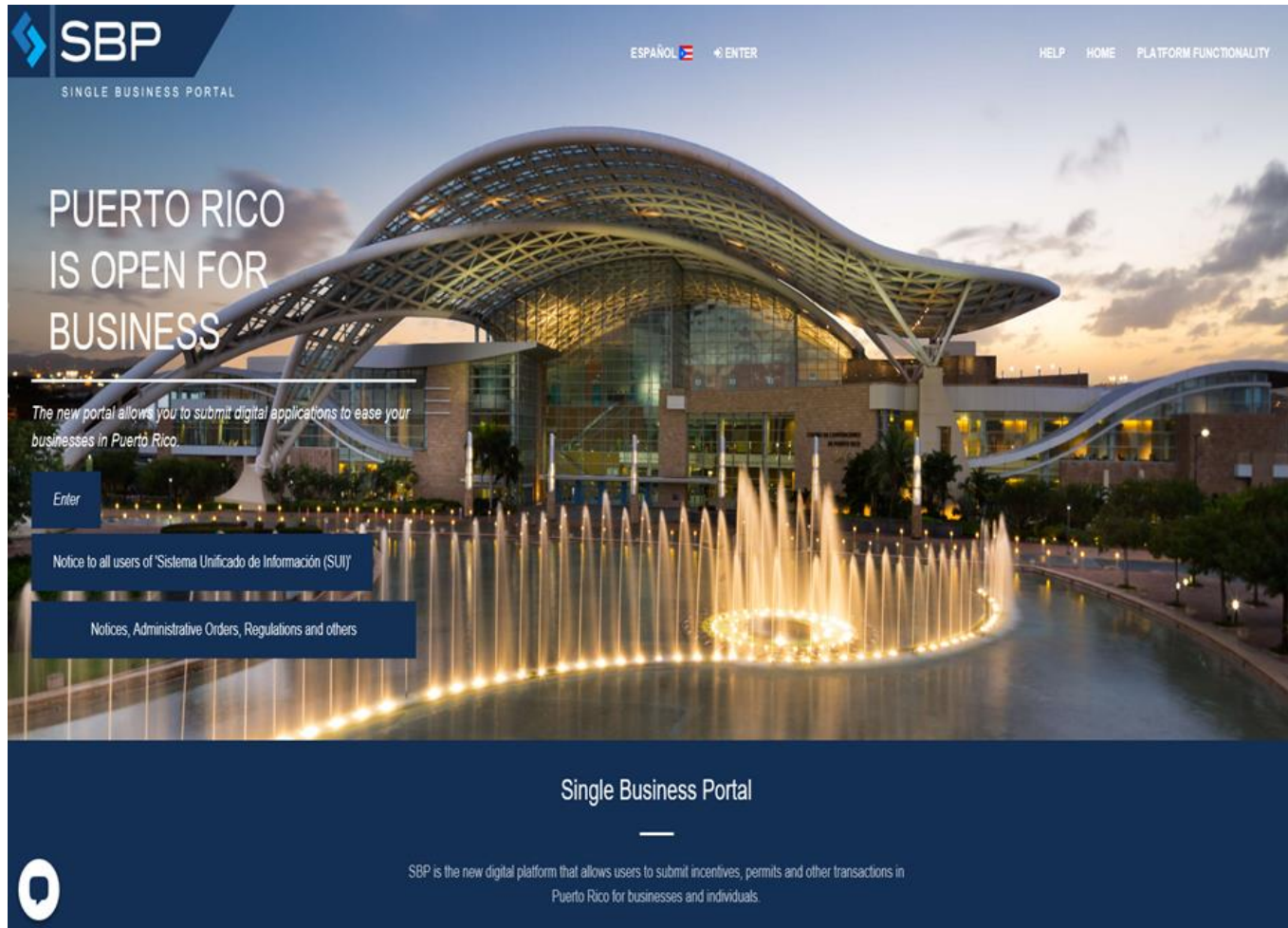
Name: _____
Company Name: _____
Physical Address: _____
Mailing Address: _____
Business Phone: _____ Email: _____
Secondary Phone: _____ Website: _____

C. Priority Project Information

Name of Project: _____
Is the project a Priority Project, pursuant to the Committee Resolution? ☐ YES ☐ NO
Applicable Committee Resolution Number: _____
Priority Project Type: _____
Project Location: _____
Census Tract Number: _____
Detailed Description of the project: (Applicant may attach a document with the detailed description of the Project)

355 FRANKLIN D. ROOSEVELT, HATO REY, PR 00918 | 787.764.6363 | opportunityzones@ddec.pr.gov

Tax Exemption Request



The request should be submitted through the
Single Business Portal (SBP)

www.sbp.ddec.pr.gov

Projects and Properties



- Municipalities' Majors can attend the Committee as petitionaries. The Committee should emit a determination during a 15 days term, extendable to 15 days. If a determination is not emitted during the applicable term, the request has been denied. If the request is approved, the activity will be included in an amended Priority Projects list.
- Properties Inventory
- Projects of Interest
- Touristic Projects

Projects and Properties



GOVERNMENT
OF PUERTO RICO
Department of Economic
Development and Commerce

WHY PUERTO RICO ▾

INDUSTRIES ▾

REAL ESTATE

SPECIAL PROGRAMS ▾

LIFESTYLES ▾


WHO WE ARE ▾

PLAN DE DESARROLLO INTEGRADO ▾

PRIDCO'S Properties Inventory

Español Transparency: Photo ☐ Lot ☐ Building ☐ [Zoom All] [Search]

Municipality: (select) ▾
Building:
Lot:
Industrial Park:
Description: (select) ▾
Availability: (select) ▾
Area (building): (select) ▾
Zone: (select) ▾



As of today, PRIDCO has a list of 300 properties and Land Administration 100, approximately.

QUESTIONS OR COMMENTS



OPPORTUNITY ZONES

Office of Incentives for Businesses in Puerto Rico

787-764-6363

opportunityzones@ddec.pr.gov