

August 20, 2020

## Tax Update

### *New Municipal Code Replaces Prior Municipal Legislation*

On August 14, 2020, the Governor of Puerto Rico signed into law House Bill No. 1333, known as the Puerto Rico Municipal Code (“Municipal Code”), providing a new legal framework which establishes the authority and faculties delegated to Puerto Rico’s municipalities. Throughout this Legal Update we identify the prior municipal laws that were superseded through the Municipal Code and provide an overview of its organization.

Immediately upon its approval, the Municipal Code came into effect replacing the following laws, among others:

1. Act 81-1991, as amended, also known as the Autonomous Municipalities Act (“AMA”).
2. Act 80-1991, as amended, also known as the Municipal Revenue Collection Center’s (“MRCC”) Organic Act.
3. Act 83-1991, as amended, also known as the Municipal Property Tax Act (“MPTA”).
4. Act 113-1974, as amended, also known as the Municipal License Tax Act (“MLTA”).
5. Act 118-2010, as amended, also known as the Municipal Economic Development and Tourism Act.
6. Act 18-2014, as amended, also known as the Municipal Administration Fund Act.
7. Act 19-2014, as amended, also known as the Municipal Financing Corporation Act, as well as other municipal funds administration and financing acts.

The Municipal Code is split among eight books (“Parts”), each further divided into individual chapters. Matters related to municipal governance previously addressed under the AMA, including the powers and authority of mayors and municipal legislatures, are included in Chapters I through VI of Part I of the Municipal Code, while municipal administration of property owned by the municipality as well as provisions dealing with the municipality’s human resources and municipal consortiums are discussed in Chapters I through IX and XI of Part II.



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Municipal excise taxes and special taxes for the installation of solid waste disposal facilities, previously governed by the AMA, are now addressed in Chapter X of Part II of the Municipal Code.

Municipal services, including matters related to the control of access to urbanizations, the closing of streets and municipal roads, municipal water installations, municipal police, public order codes, recycling and solid waste management, recreational activities, and community development are discussed in Part III, while municipal reformation and community restorations are addressed in Part IV of the Municipal Code.

Provisions related to economic development, creation of special municipal corporations, regulation of itinerant businesses, and municipal incentives for economic development and tourism are included on Chapters I through III of Part V of the Municipal Code. Part VI of the Municipal Code establishes the provisions for territorial organization, planning and creation of municipalities, as well as the delegation of faculties between the state and municipal governments.

Chapters I and II of Part VII of the Municipal Code, titled Municipal Treasury, incorporate the provisions equivalent to those previously established under the MRCC's organic act and the MPTA, respectively, with few changes. Similarly, Chapter III of Part VII of the Municipal Code includes the provisions related to the municipal license tax previously established under the MLTA, while Chapters IV, V, VI, and VII contain the provisions related to municipal financing and funding.

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