

September 8, 2020

Tax Update

Bayamón Establishes Tax Incentives for Eligible Commercial Centers

The Municipality of Bayamón (“Municipality”) issued Municipal Ordinance No. 4, Series 2020-21 (“OM-4”) on September 2, 2020, adopting a framework for the approval of concessions of tax exemption (“Concession”) to eligible commercial centers that establish operations within the Municipality. In this Legal Update we summarize eligibility requirements, the tax benefits’ and the application process for the Concessions.

Section 2(a) of OM-4 defines an “Eligible Commercial Center” as a commercial center located within the urban center of the Municipality, with an area of 500,000 square feet of more that makes an initial investment of no less than \$20,000,000 in construction and/or remodeling. Eligible Commercial Centers holding a Concession issued by the Municipality shall be afforded the following tax benefits and exemptions for a 10-year period, as detailed under Section 3 of OM 4:

1. 90% personal and real property tax exemption for the first 5 years, followed by an 85% exemption for the last 5 years of the Concession.
2. 100% Property Tax exemption during the period of construction or establishment of the Eligible Commercial Center.
3. 90% construction excise tax exemption along with the availability of a payment plan for the payment of CET through an agreement with the Municipality’s finance director.
4. 90% municipal license tax exemption for the first 5 years, reduced to 85% for the last 5 years of the Concession.

Eligible Commercial Centers may request the Mayor of the Municipality for the issuance of a Concession by filing a sworn application with the finance director, along with the applicable filing fee. Once issued, the Concession will be deemed in the nature of a contract between the Municipality and the Eligible Commercial Center, and the latter shall commence operations within a year, unless an extension of up to 3 years from its issuance is requested.

Given the specifications of what constitutes an Eligible Commercial Center, the existence of multiple Eligible Commercial Centers in the urban center of the Municipality seems low. Interested parties should expect some bidding or selection process to be undertaken as part of the approval process.



For more information on this Legal Update, please contact:

Carlos E. Serrano

cserrano@reichardescalera.com

787.777.8815

787.406.5257

Alba I. Joubert Pereira

ajoubert@reichardescalera.com

787.777.8825

787.432.8356

Ernesto J. Zayas García

ezayas@reichardescalera.com

787.777.8813

787.354.4757

qualified professional advisor before taking any action based on the information herein. This communication does not create an attorney-client relationship between Reichard & Escalera and the recipient.

[Unsubscribe.](#)