

## Tax Exemption

### ATTORNEYS

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### RELATED PRACTICE AREAS

- Corporate

The McConnell Valdés Tax Exemption Practice group is the broadest tax incentives practice in Puerto Rico. Our attorneys are recognized as “fantastic” and “knowledgeable” leaders in their field by no less an authority than *Chambers and Partners Latin America*.

Our work with clients from around the world seeking to develop and maintain businesses in Puerto Rico reflects our longstanding commitment to supporting the island’s economic growth. Our clients range from Fortune 100 companies and global manufacturers to renewable energy facilities, leaders in the tourism and agriculture sectors, export services companies and high net worth individuals.

When Puerto Rico’s first Industrial Incentives Act was enacted in 1948, we were there to help our clients obtain tax exemption grants. Since then, with our assistance, our clients have obtained hundreds more grants.

This uncommon wealth of experience complements our proactive approach. Our team has the capability of anticipating problems before they arise – and respond with tax minimizing strategies and solutions that help our clients obtain all available benefits.

Our well-connected and up-to-date lobbying group effectively represents our clients’ interests in all areas of tax incentives legislation.

Should a dispute arise, our team includes tax litigators who vigorously represent our clients’ interests before Puerto Rico and United States forums. Our stand-alone Tax Litigation Practice group combines top-notch litigation skills with substantive experience to represents clients at every level and in every type of dispute resolution with taxing authorities.

We work closely with the Economic Development Administration, or PRIDCO, which manages Puerto Rico’s tax exemption program. PRIDCO is not only involved in approving grants of tax exemption, but also helps locate industrial sites and provides financial incentives for new companies and for established companies proposing to expand their operations.

We have also participated in the drafting and amendment of various Puerto Rico tax incentives laws and their regulations, including the Puerto Rico Industrial Tax Incentives Acts of 1998 and 2008, the Puerto Rico Tourism

Development Acts of 1993 and 2010, the Puerto Rico Green Energy Incentives Act of 2010, the Puerto Rico Film Industry Act of 2011, the Puerto Rico Export Services Act of 2012, and the Individual Investors Act of 2012.

### **What We Do**

We help clients by:

- Advising on tax exemption issues relating to complex corporate acquisitions, reorganizations, and liquidations
- Counseling clients across a broad range of industries – from energy to tourism, from pharmaceuticals to exports – on Puerto Rico’s tax incentives programs, including industrial tax exemption, municipal incentives, and infrastructure and location incentives
- Counseling clients on individual investor and export services exemptions
- Preparing and filing tax exemption applications
- Negotiating tax incentives grants
- Representing clients in incentives-related litigation before the Puerto Rico Court of First Instance, the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court

### **REPRESENTATIVE CLIENTS & MATTERS**

#### **Representative Matters**

Notable representations include:

- Assisting a client in the negotiation of amendments to its industrial tax incentives grant to classify products as novel to attain million dollar tax savings. We filed a Competent Authority Request and negotiated a closing agreement on the Puerto Rico income tax consequences of IRS income reallocations to prevent double taxation with the Puerto Rico Treasury Department. We successfully assisted client in obtaining a closing agreement with the Puerto Rico Treasury Department granting unique tax credits under the Puerto Rico Internal Revenue Code related to the excise tax of Act 154 to multinational manufacturing companies in Puerto Rico. We also successfully assisted client in obtaining a closing agreement with the Puerto Rico Treasury Department attributing proceeds from a multi-million dollar IP litigation settlement in the U.S. to Puerto Rico and taxing at preferential rates.

- Currently representing clients in complex litigation against two municipalities challenging final notices of deficiency on the payment of municipal license taxes. The assessments relate to various novel issues regarding the municipal license tax exemption applicable to businesses located within a duly authorized Foreign Trade Zone, and to challenges of the long-standing Puerto Rico tax incentives programs by the municipal government.
- Representing a company in negotiation of a tax incentives grant with the Puerto Rico Industrial Development Company, Puerto Rico Treasury Department, and Department of Economic Development and Commerce to maintain operations in Puerto Rico in light of the negative impact of excise tax of Act 154. We assisted in the negotiation of incentives, as well as the negotiation, drafting and execution of grant documents, closing agreements, regulatory amendments and others. We filed a Competent Authority Request regarding the Puerto Rico income tax consequences of IRS and UK income reallocations, and started negotiations thereunder. We also successfully drafted and lobbied for legislation providing for pioneer product treatment carryover in the renegotiation process of an Act 135 tax incentives grant to an Act 73 grant. Since its enactment, this legislation has promoted significant economic activity in Puerto Rico.