

**COMMONWEALTH OF PUERTO RICO
DEPARTMENT OF THE TREASURY**

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TITLE: Regulation to amend Regulation No. 7970 of December 29, 2010, titled “Regulation to implement the provisions of Section 2101, 2102, 2103 and 2104 of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994”, enacted pursuant to Section 6130 of the Internal Revenue Code of 1994, as amended, which authorizes the Secretary of the Treasury to adopt the Regulations necessary to make effective said Code”, enacted pursuant to Section 6051.11(a)(2) of Act No. 1 of January 31, 2011, as amended, known as the Puerto Rico Internal Revenue Code of 2011, which authorized the Secretary of Treasury to publish such other regulations as may have become necessary by reason of any alteration of law in relation to the taxes imposed by said Code.

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Article 1 – To amend subparagraphs (1) and (6) and add a subparagraph (7) to Reg. § 2102(a)-2(i) to read as follow:

“Reg. § 2102(a)-2 (i)-Single Operation with a High Concentration Risk. -

- (1) In lieu of the credits provided in paragraphs (b) through (f), both inclusive, in the case of a controlled group that has had taxable acquisitions equal to or greater than one billion one hundred and twenty five million (1,125,000,000) dollars for any calendar year after December 31, 2012, and for the calendar year in which it claims the credit in this paragraph (i), and also meets the requirements in subparagraph (2) below, an additional credit is allowed as provided herein.
- (2) ...
- (3) ...
- (4) ...
- (5) ...
- (6) If a controlled group elects the use of the credit provided in this paragraph (i), the controlled group shall reasonably project for the entire calendar year the number of employees (as defined

in subparagraph (j)(2)) employed in manufacturing or producing personal property, or manufacturing services, in Puerto Rico, and such projections shall be attached to each quarterly excise tax return, provided however, that final calculations shall be attached to the quarterly return for the period from October 1 through December 31 for each year for which any credit is claimed. If for a calendar year the controlled group is not in fact eligible for the credit provided by this paragraph (i), the amount of any credit previously claimed for such calendar year shall, unless an authorization under paragraph (7) is granted, be treated as a tax arising on account of an acquisition deemed to occur during the month of December of such year.

- (7) If for any calendar year commenced after December 31, 2016, a controlled group becomes ineligible to claim the credit provided under this paragraph because it fails to meet the requirement described under subparagraph (1) above, the Secretary, upon consultation with the Secretary of Economic Development and Commerce, may authorize the controlled group to continue claiming the credit, in whole or in part, taking into consideration local employment and such other matters as may be appropriate. Any authorization made under this subparagraph may be limited and subject to the terms and conditions deemed necessary by the Secretary. In order to obtain the authorization from the Secretary, the controlled group shall file a request for closing agreement to the Secretary specifying the reasons that caused the controlled group to become ineligible to claim the credit. The request must be filed on or before the last day of the calendar year in which the controlled group becomes ineligible or can reasonably estimate that it would become ineligible. The provisions of this

subparagraph will only apply to controlled groups that have claimed the credit provided in this paragraph for all the four (4) calendar years preceding the year in which the controlled group becomes ineligible”.

EFFECTIVENESS: In accordance with the provisions of Act No. 170 of August 12, 1988, as amended, known as the “Commonwealth of Puerto Rico Uniform Administrative Procedures Act”, this Regulation shall become effective thirty (30) days after it is filed at the Department of State.

Approved in San Juan, Puerto Rico on _____.

Juan Zaragoza Gómez
Secretary of the Treasury

Filed at the Department of State on _____.