



# Regulations to Declare Uncollectible Accounts, Cancel and Liquidate Property Tax Debts

Reinaldo J. Paniagua Látimer  
Executive Director

**REGULATION TO DECLARE UNCOLLECTIBLE ACCOUNTS,  
CANCEL AND LIQUIDATE PROPERTY TAX DEBT**

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# **REGULATION TO DECLARE UNCOLLECTIBLE ACCOUNTS, CANCEL AND LIQUIDATE PROPERTY TAX DEBTS**

## **ARTICLE 1 – TITLE**

This Regulation shall be known as the "Regulation to Declare Uncollectible Accounts, Cancel, and Liquidate Property Tax Debts."

## **ARTICLE 2 – LEGAL BASIS AND GENERAL CRITERIA**

This Regulation is promulgated by virtue of Section 7.003 of Act No. 107-2020, known as the Municipal Code of Puerto Rico, as amended, which provides that the Municipal Revenue Collection Center (CRIM) has the power to adopt regulations for govern matters related to the fulfillment of its functions and for the execution of the laws whose administration has been delegated to it. It is also promulgated by virtue of Article 7.006(k) of the Municipal Code, Id, which authorizes the Governing Board of the CRIM to establish through Regulations the requirements, conditions, and procedures to authorize the declaration of uncollectible accounts, cancel and liquidate any existing property tax debt in favor of the municipalities, including surcharges, interest, and penalties.

In keeping with the general criteria established by the provisions of the Law, the Governing Board will establish the following criteria to declare a debt as uncollectible and request its cancellation and liquidation from the CRIM records:

- a) Personal tax debt with ten (10) years or more past due; and real tax debt fifteen (15) years past due or more.
- b) Insolvency and inability to pay the debtor or his hereditary succession.
- c) Possibilities of debt collectability after the steps taken by the CRIM.
- d) Efforts on the part of the debtor to pay the debt.

## **ARTICLE 3 – PURPOSE**

The purpose of this Regulation is to establish the requirements, conditions, and procedures to authorize the declaration of uncollectible debts, cancel, and liquidate any existing property tax debt in favor of the municipalities, including surcharges, interest, and penalties.

#### **ARTICLE 4 – PUBLIC POLICY**

The Governing Board of the CRIM establishes the public policy to govern matters related to the fulfillment of the functions and duties conferred by Law 107-2020, related to the declaration of uncollectible accounts. Through the promulgation of this regulation and in the exercise of establishing public policy, the Governing Board enables an agile and effective procedure of healthy financial administration that benefits the Municipalities.

This regulation will allow greater accuracy in the discernment of the status of accounts receivable and provides the opportunity to keep their books and records updated continuously, which will provide a greater degree of reliability to the financial projections of the municipalities. This Regulation will be interpreted strictly and with the highest degree of adherence to the legal precepts of Law 107-2020, Id. This Regulation will be interpreted strictly to standardize the purification and declaration processes for uncollectible debts.

#### **ARTICLE 5 – INTERPRETATION AND APPLICABILITY**

This Regulation is applicable to the Municipal Revenue Collection Center and to any taxpayer of any municipality of Puerto Rico and to those that are hereinafter created in accordance with the provisions of the Constitution of Puerto Rico, who have personal and/or real property debts with a maturity time of more than ten (10) years.

#### **ARTICLE 6 – DEFINITIONS**

The following terms and phrases shall have the meaning set forth below:

- a) **FISCAL YEAR**– It will include the period of twelve (12) consecutive months that begins on the first (1st) of July of any calendar year and ends on June 30 of the following calendar year.
- b) **CRIM**– Means the public entity created to offer fiscal services to the municipalities of Puerto Rico and called the “Municipal Revenue Collection Center” or CRIM for its acronym.
- c) **BOARD**– Means the Governing Board of the CRIM.

- d) **TAXPAYER**– Means any natural or legal person, including corporations, partnerships, associations, cooperatives, hereditary succession, group of people, entities and private institutions, subject to the payment of the taxes imposed by Law No. 107-2020, as amended.
- e) **UNCOLLECTIBLE ACCOUNT**– Means those accounts that are unlikely to be paid in the near future. To determine the probabilities of collection, factors such as: time (e.g., days without payment), available guarantees, applicable law; computer or data errors, and any other factor that reasonably affects the ability to collect the debt will be used.
- f) **PAST TAX DEBT**– Means all that delinquent debt existing in the CRIM records with more than one year expired and for which some collection process has been carried out.
- g) **PAYMENT MANAGEMENT**– Refers to collection notifications sent by the CRIM that includes, but is not limited to, the following elements: (1) Total debt balance broken down into principal, interest, penalties, and payments made; (2) List of debts and payments made during the last five (5) taxable years; (3) Warning of the actions that the CRIM will take in case of non-compliance with the payment of the owed contribution, if any, within the established term and; (4) The procedure that the taxpayer can follow to clarify or correct the information provided by the CRIM.
- h) **TREASURY SECRETARY**– Refers to the official who directs the Department of the Treasury of Puerto Rico.
- i) **LAW**– Means Law No. 107-2020, as amended, better known as the Municipal Code of Puerto Rico.

#### **ARTICLE 7 – PAST TAX DEBTS TO BE DECLARED UNCOLLECTIBLE**

- A. The following overdue personal and real property tax debts, for which collection efforts have not been made, will be declared uncollectible:
  - 1) Debts resulting from a manifest error.
  - 2) Inadmissible debts in law by reason of legal exemption.
  - 3) Tax debts for personal property ten (10) or more years past due and for which the CRIM has not carried out collection efforts.

- 4) Tax debts for real property with fifteen (15) or more years past due and for which the CRIM has not carried out collection efforts.
  - 5) Debts to be canceled by mandate, order, or court ruling.
- B. The following past-due tax debts on personal and real property will be declared as uncollectible, after the corresponding collection efforts have been made and the collection has not been achieved:
- 1) Personal contribution debts with ten (10) years or more of notified and expired.
  - 2) Property tax debts with fifteen (15) or more notified and expired.
  - 3) Debts in which the insolvency of the debtor or his hereditary succession has been analyzed and/or verified, which will make collection impossible.
  - 4) Debts for which the lack of significant actions or efforts, by the taxpayer or his hereditary successors, to comply with the debt has been analyzed, evaluated and verified.
  - 5) Debts that after their analysis and individual study it is determined that there is little probability of being collected.
  - 6) Debts for real property that, by virtue of a sale, have become personal debts of the previous owner and that, because they do not have sizeable assets, it is determined that there is little possibility of collecting it.

The determination of the CRIM to declare any property tax debt uncollectible, in accordance with this Regulation, under no circumstances shall it constitute an express or implicit waiver of the CRIM's rights to seize any property in collection of the tax owed that, to the date of the determination of uncollectible under this Regulation, has not expired. Similarly, what is provided herein does not grant or create rights in favor of the debtor taxpayer. Therefore, under no circumstances may you request or demand that a tax debt in your name be declared uncollectible in accordance with this Regulation. The power to declare any account or debt as uncollectible is exclusive to the Governing Board of the CRIM.

#### **ARTICLE 8 – GENERAL PROCEDURE TO IDENTIFY UNCOLLECTIBLE ACCOUNTS**

In general, the CRIM will carry out the following actions to identify the accounts to be declared uncollectible:

- a) At the end of each fiscal year, the Collection Management Office will issue a report to identify the accounts that meet the following criteria:
- 1) Past due personal tax debts of ten (10) years or more, with and without collection efforts.
  - 2) Real property tax debts of fifteen (15) years or more, with and without collection efforts.
  - 3) Debts resulting from errors or not proceeding in law.
- b) The Collection Management Office will coordinate with the services and operational support units to identify whether the debts contained in the reports have:
- 1) Legal actions in force or pending processing.
  - 2) Any seize in force or pending to be processed or processed.
  - 3) Any active payment plan.
  - 4) Any Final Agreement request pending processing or processing.
- Any debt that meets any of the aforementioned conditions will be separated from the list and sent to the Operational Services Unit, together with the evidence that justifies such action.
- c) The final report of uncollectible accounts will be certified by the Collection Management Office to refer to the Finance Department, which must classify as uncollectible the accounts that meet the criteria described in Section A of this Article, and take the pertinent administrative actions to that is recognized in the accounting books of the CRIM.
- d) The determination of uncollectible is independent of the legal origin of the debt, therefore, the CRIM does not waive its right to collect what corresponds to it by law.
- e) In accordance with the foregoing, the Municipal Finance Department must carry out the following procedures:
- 1) Notify the mayors of the affected municipalities of the report of the debt(s) to be cancelled. Said Report must contain the cadaster number, property address, invoice number, and total debt broken down by principal, interest, surcharges, and penalties.





**ARTICLE 11 – REPEAL CLAUSE**

By means of this Regulation, Regulation No. 5532, Regulation to Authorize the Declaration of Uncollectible Accounts, Cancel and Uncollectible Any Existing Property Tax Debt in Favor of Municipalities, approved on January 7, 1997, is repealed.

**ARTICLE 12 – VALIDITY**

This Regulation will be in force once it is approved and signed by the President of the Governing Board of the CRIM and the Executive Director. This Regulation will repeal any other existing one for the same purposes.

Approved today, July 20, 2023, by the CRIM Governing Board and signed by its President, at a meeting held on July 20, 2023.

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**Hon. Jesús E. Colón Berlingeri**  
**President**  
**CRIM Governing Board**

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**Reinaldo J. Paniagua Látimer**  
**Executive Director**

Filed in the Department of State on August \_\_, 2023.