



SPECIAL REGULATION IN BENEFIT OF THE TAXPAYER FOR PAYMENT OF DEBT

NUMBER: 9323

DATE: November 4, 2021

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Undersecretary of State



Department of State

Government of Puerto Rico

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MUNICIPAL REVENUE COLLECTION CENTER

Special Regulation in Benefit of the Taxpayer for Payment of Debt

Content

Article 1 - Title	1
Article 2 - Purpose.....	1
Article 3 - Public Policy.....	3
Article 4 - Legal basis.....	3
Article 5 - Applicability	4
Article 6 - Definitions	4
Article 7 - General provisions.....	6
Article 8 - Payment alternatives according to years of debt and periods for payment	6
Article 9 - Terms and Conditions.....	7
Article 10 - Claims	9
Article 11 - Consents	10
Article 12 - Internal Guides	10
Article 13 - Exclusions	11
Article 14 - Penalties	11
Article 15 - Negative certification of paid debts.....	11
Article 16 - Funds collected from the Delinquent Debt Collection Program.....	12
Article 17 - Reports	13
Article 18 - Procedures after the termination of the Delinquent Debt Collection Program.....	13
Article 19 - Exception Clause.....	13
Article 20 - Amendments	14
Article 21 - Derogation clause.....	14
Article 22 - Validity.....	14



MUNICIPAL REVENUE COLLECTION CENTER

Special Regulation in Benefit of the Taxpayer for Payment of Debt

ARTICLE 1 - TITLE

This Regulation will be known as the Special Regulation in Benefit of the Taxpayers for Payments of Debts, under Article 7.070 of Act 107-2020, as amended, known as the “Municipal Code of Puerto Rico” (hereinafter “Act 107-2020”).

ARTICLE 2 - PURPOSE

In accordance with the initiatives established in the Fiscal Plan of the Municipal Revenue Collection Center (“CRIM”), certified by the Puerto Rico Financial Oversight and Management Board (“FOMB”), the CRIM must carry out the pertinent and necessary steps to sell the portfolio of delinquent debts. To carry out this project, the valuation of said asset is required in order to determine the correctness of the records and establish an estimated projection of the income to be generated with said sale.

The CRIM proposed to the FOMB an alternative project to the sale of the portfolio to carry out the collection of the delinquent debts, that allows an aggressive collection management, granting a discount to the principal. In coordination with them, we started in June 2021, the development of this initiative, subject to submitting periodic reports on the progress of the project. This will provide the 78 municipalities with the release of funds directed to the payment of statutory debts, turning it into a recurring income. In addition, once the period of the proposed program ends, the debts that remain in the records will be sold to a third party. With said sale, the investor will be able to acquire

the portfolio of delinquent debts with all the inherent rights of the debt, including the execution of said properties. So this, under the provisions of Article 7.070 of Act 107-2020, the Delinquent Debts Collection Program, for the real property is implemented, through this regulations proposed by the CRIM Administration.

The purpose for which this Regulation is adopted, with a determined period, is to provide a last opportunity to taxpayers to update their records and pay debts on the delinquent real property tax, establishing a uniform procedure that has the prior consent CRIM Governing Board, the Secretary of the Treasury and the mayor where the property is located, as established in Article 7.070 of Act 107-2020, since it grants discounts to the principal. This Regulation gives all taxpayers and the CRIM, the opportunity to clarify any situation related to real property either and without being limited to discrepancies on the capacity, ownership, taxation, updating of records or working on any Service Form that is pending, without losing the benefit of discounts. This regulation does not repeal the provisions already established in Regulation 9123 of November 8, 2019, known as the “Regulation of Final Agreements and Commitments to Pay the Tax on Personal and Real Property” (hereinafter “Regulation 9123”). Any taxpayer who does not wish to avail himself of the discounts defined in this regulation for delinquent debts on the contribution of real property or who only wants to avail himself of a final agreement for delinquent debts on personal property will have at his disposal the procedure established in the Regulation 9123. Similarly, any taxpayer who has real property located in a municipality whose mayor does not consent to participate in the Delinquent Debt Collection

Program, will have at their alternative to present a request for a Final Agreement, as established in Regulation 9123.

ARTICLE 3 - PUBLIC POLICY

The approval of these Regulations responds to the commitment of the CRIM Governing Board, to comply with the duties and powers thus established in Act 107-2020, for the collection of delinquent debts. In the exercise of establishing both administrative and operational public policy, the CRIM Governing Board establishes that the granting of the discount under these Regulations will be of benefit to the Municipalities, which will allow obtaining collections that represent an economic injection, within a short period of time, which otherwise would not have been possible. In the same way, the opportunity is presented to the taxpayer who meets his tax responsibility according to his economic condition. This Regulation will be strictly interpreted to formalize final agreements regarding the delinquent debt on real property.

ARTICLE 4 - LEGAL BASIS

This Regulation is adopted in accordance with the provisions of Article 7.003 (p) of Act 107-2020, which provides that the CRIM has the power to "[a] adopt, amend and repeal regulations to govern its affairs and establish rules, regulations and standards related to the fulfillment of its functions and duties and for the execution of the Act whose administration is delegated to it ". In addition, Article 7.006, subsection (l) provides that "... The Board shall authorize the CRIM, through regulations, the provisions, conditions and procedures to formalize final agreements in writing, as provided in this Article."

Similarly, by virtue of Article 7.070 of Act 107-2020, the CRIM is empowered to formalize a written agreement with any person (natural or legal), regarding the responsibility of said person with respect to the taxable and expired personal and real property tax imposed by said Act. Finally, this regulation is adopted pursuant to Chapter II of Act 38-2017, as amended, known as the "Uniform Administrative Procedure Act of the Government of Puerto Rico."

ARTICLE 5 - APPLICABILITY

Any natural or legal person, or one who is duly authorized to act on his behalf, who owes contributions for real property, from the oldest debt until the fiscal year ended June 30, 2020, excluding fiscal years 2020-2021 and 2021-2022, you can take advantage of the alternative of the Delinquent Debt Collection Program created by this Regulation, subject to the conditions and exclusions established in Article 9, from **November 5, 2021, to June 30, 2022.**

ARTICLE 6 - DEFINITIONS

The word used in the singular includes the plural and vice versa. In addition, the masculine gender includes the feminine and vice versa.

The following terms and phrases, wherever they appear used in these Regulations, will have the meaning expressed below:

- 1- **Final Agreement-** means an agreement in writing with any person regarding the responsibility of said person, or of the person on whose behalf he acts, with respect to the tax on real estate appraised and past due imposed by Act, corresponding to any taxable year, subject to the terms and

conditions established in Article 9 of these Regulations, as long as the contribution has been previously notified and is overdue, with their respective interests, surcharges and penalties. Transactional stipulations in judicial or administrative review cases are excluded from this definition and from the provisions of this Regulation. It can be done by means of a total payment.

- 2- **Contribution**- means the tax on real property imposed by Act 107-2020, as amended, known as the Municipal Code of Puerto Rico.
- 3- **Taxpayer**- Means any natural or legal person subject to the payment of the taxes imposed by Act 107-2020, as amended, known as the "Puerto Rico Municipal Code", including, but not limited to, individuals, corporations, estates, trusts, partnerships, companies, associations or any other form of entity or business. In the cases of a succession, the term "taxpayer" shall include all the members of the succession.
- 4- **Debt**- For the purposes of this Regulation, it is any tax on real property imposed on the collection, including interest, surcharges and penalties from fiscal year 2019-2020 backwards and that has not been paid by the debtor.
- 5- **Executive Director** - the highest-level executive officer responsible for the administrative direction and day-to-day operation of the CRIM.
- 6- **Service Request Form** - It will mean the official document by the CRIM and available to taxpayers for the processing of transactions related to updating tax profiles for owners of real and personal property.
- 7- **CRIM Regional Office** - means any of the CRIM offices located by region, currently located in Aguada, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce, San Juan-Guaynabo.

- 8- **Payment plan**- Means the installment payments plan of real property tax due within a specified period of time with the interests that are imposed by the CRIM.
- 9- **Delinquent Debt Program**- means the discount offer to any taxpayer or duly authorized person with delinquent debts to take advantage of the partial relief of the principal, interest, surcharges and penalties subject to the provisions established in this Regulation for real property tax debts.

ARTICLE 7 - GENERAL PROVISIONS

The taxpayer or any person duly authorized to act on their behalf may avail themselves of the partial relief of the principal, in the case of debts prior to the fiscal year 2017, or to the relief of interests, surcharges and penalties, in accordance with the conditions and exclusions that are set forth below.

It is provided by this Regulation that any debt that does not voluntarily avail itself of the benefits established herein, will be subject to being acquired by a third party who may exercise all the inherent rights to collect the debt.

ARTICLE 8 - PAYMENT ALTERNATIVES ACCORDING TO YEARS OF DEBT AND PERIODS FOR PAYMENT

The Delinquent Debt Collection Program, created by virtue of the provisions of these Regulations, will be as follows:

a) Debts for Tax on Real Property for fiscal years 2019-2020, 2018-2019, 2017-2018 and 2016-2017

If the taxpayer pays between November 5, 2021, and January 31, 2022, will pay only the principal; without interest, surcharges, or penalties.

If the taxpayer pays between February 1, 2022, and May 2, 2022, will pay the principal and interest, without surcharges or penalties.

b) Debts for Tax on Real Property prior to fiscal year 2016-2017

If the taxpayer pays between November 5, 2021, and January 31, 2022, they will be entitled to a discount of fifty-five percent (55%) on the principal owed, without interest, surcharges, or penalties.

If the taxpayer pays between February 1, 2022, and May 2, 2022, they will be entitled to a forty percent (40%) discount on the principal owed; without interest, surcharges or penalties.

If the taxpayer pays between May 3, 2022, and June 30, 2022, they will be entitled to a twenty-five percent (25%) discount on the principal owed, without interest, surcharges, or penalties.

ARTICLE 9 - TERMS AND CONDITIONS

- a) In order to qualify for the Delinquent Debt Collection Program under this Regulation, it will be mandatory for the taxpayer to pay or have paid the taxes on real property for the years 2020-2021 and 2021-2022. If the taxpayer not being able to pay the years 2020-2021 and 2021-2022, in a single payment, the CRIM is authorized to establish a regular payment plan in accordance with Article 7.060 of Act 107-2020. Provided that, for the purposes of availing themselves of this benefit of the Program established by this Regulation, said payment plan will only be for real estate tax owed in fiscal years 2020-2021 and 2021-2022 that are past due, whose term may not exceed one (1) year.

- b) At the time of establishing the Delinquent Debt Collection Program under these Regulations, all debts covered in the Delinquent Debt Collection Program must be detailed. However, the taxpayer by availing himself in the Delinquent Debts Collections Program, waives any objection to the appraisal or notification of the debt that is the object of the plan.
- c) Those taxpayers who are in the process of an intervention, tax audit or in an administrative hearing or judicial review process may avail themselves of the Delinquent Debt Collection Program, such fact being sufficient cause to desist from the investigation process, administrative or judicial, in relation to the debt or debts object of the plan.
- d) The determination of the taxpayer to avail himself of the benefit of this Regulation will result in the award of the amount corresponding to the years challenged according to the official notification of debt issued by the CRIM.
- e) Those taxpayers who are covered by a payment plan, a final agreement with the CRIM, or a bankruptcy process, prior authorization by said Bankruptcy Court, at the time this Regulation enters into force may renegotiate the pending balance of said payment plan with the Executive Director of CRIM under the terms and conditions established in the Delinquent Debt Collection Program provided by these Regulation.
- f) It also provides that any agreement for the collection of delinquent debts that the CRIM or any municipality has with a private entity will not be

impediment so that the taxpayer or any person duly authorized to act on his behalf, can avail himself of the incentive plans provided in these Regulation.

- g) The payment under the Delinquent Debt Collection Program that is chosen under this Regulation will be voluntary and final for all purposes and will not be subject to subsequent claims. It is understood, any amount paid under this Regulation will not be subject to reimbursement.
- h) Any natural or legal person, or one that is duly authorized to act on their behalf, who owes contributions for real property, who chooses to benefit from the Delinquent Debt Collection Program and does not have any claim on the debt, may do so in any of the seventy-eight (78) municipalities, in any of the nine (9) Regional Offices, through the CRIM website (www.crimpr.net) or through the Taxpayer Service Center ("Call Center" 787-625-2746).
- i) The Delinquent Debt Collection Program established under this Regulation will end on June 30, 2022.

ARTICLE 10 - CLAIMS

The taxpayer who has any claim on the CRIM records, regarding real property, may request through a Service Request Form to resolve or update the record thereof. Said claim may only be originated with the assistance of an authorized representative, in any of the Regional Offices. Depending on the date the claim is filed, the CRIM will honor the taxpayer with the discount alternative in effect on that date. The CRIM al Día office will be in charge of working and resolving

the claim promptly. The CRIM may request additional information from the taxpayer to resolve their claim. If the taxpayer does not respond within the required period of time, after being warned, he will lose the discount in force on the date the claim was filed.

ARTICLE 11 - CONSENTS

This Regulation provides for a reduction of the tax owed, where there is a portion that affects the Basic Tax, so the CRIM will have the prior consent of the mayor of the affected municipality (**Annex 1**). On the other hand, if the final agreement affects the portion corresponding to the Special Additional Contribution (CAE), it will have not only the prior consent of the mayor of the affected municipality, but also the consent of the CRIM Governing Board, through resolution approved for those purposes. Regarding the General Fund or the State Redemption Fund, it will have the consent of the Secretary of the Treasury. If the mayor of any municipality decides not to consent to the Delinquent Debt Collection Program, the taxpayer will have at his disposal the procedure established in Regulation 9123.

ARTICLE 12 - INTERNAL GUIDES

The CRIM will establish all the internal guides and procedures necessary to standardize, implement and execute all the provisions established in these Regulation.

ARTICLE 13 - EXCLUSIONS

Those taxpayers who have submitted a request for self-appraisal under Article 7.062 of Act 107-2020, will not be able to avail themselves of the Delinquent Debt Collection Program provided in this Regulation.

Likewise, elected officials, appointed by the Governor or senatorial or legislative confirmation, as provided by the Acts and the Constitution of the Commonwealth of Puerto Rico may not avail themselves of the benefits of these Regulation.

ARTICLE 14 - PENALTIES

The taxpayer who chooses not to be part of the Delinquent Debt Collection Program, or who by opting to participate in it fails to comply with any of the requirements or terms established in this Regulation and the selected Program, will be subject to all the collection mechanisms provided by the Act 107-2020, including, but not limited to real property liens. In the event of non-compliance with any of the terms and conditions of the Delinquent Debt Collection Program, the debts will be restored by applying interest, surcharges, penalties, and additions to the contribution, without granting any relief or discount.

ARTICLE 15 - NEGATIVE CERTIFICATION OF PAID DEBTS

The Executive Director of the CRIM shall have the obligation to issue, on or before ninety (90) days after the payment of the eligible debt under these Regulation, a negative certification of debt. This in addition to the receipts of payments stamped as received that the CRIM delivers at the time the taxpayer makes his payment under this Regulation.

ARTICLE 16 - FUNDS COLLECTED FROM THE DELINQUENT DEBT COLLECTION PROGRAM

The amounts collected for payments received as part of the Delinquent Debt Collection Program established by this Regulation will enter a special account designated by the CRIM. The funds that make up the portion of the Basic Tax Contribution that enter in the special account will be distributed by CRIM according with the following order of priority:

1. To the CRIM, 5% of the Basic Tax collected for operational and management expenses.
2. To satisfy the debts of those municipalities who still own balance product of the declaration of nullity of Act 29-2019, consisting of the obligation to prepay municipal pensions ("PayGo") and payments to the Health Insurance Administration ("ASES").
3. To pay debts incurred by CRIM for the benefit of the municipalities, in accordance with Act 42-2000 and Act 146-2001, in the event that the CRIM reaches a payment agreement with its creditor and obtains the necessary approvals, as established by Act,
4. For municipalities.

The funds that make up the portion of the Special Additional Tax that are entered into the special account will be distributed to the Municipal Debt Redemption Fund. The funds that known as 1.03% that are entered into the special account will be distributed to the State Redemption Fund.

ARTICLE 17 - REPORTS

The CRIM must prepare and present detailed reports of the collections and the effectiveness of the Program to the CRIM Governing Board, the mayors and the FOMB. The report must contain the amounts of taxpayers subscribed to the Delinquent Debt Collection Program, reduction of invoice by fiscal years and collections. Said report will be submitted thirty (30) days after the completion of each of the periods established in Article 8 of these Regulation. Additionally, the CRIM must have notify to CRIM Governing Board and the FOMB, the total tax collected through this program. This report will be submitted no later than the fifteenth (15th) of the following month.

ARTICLE 18 - PROCEDURES AFTER THE TERMINATION OF THE DELINQUENT DEBT COLLECTION PROGRAM

During the term of the Delinquent Debt Collection Program, CRIM will update all the account statements in its books. At the end of the Delinquent Debt Collection period, it will be understood that the delinquent debt balances in the CRIM records will be correct, valid and enforceable. At the same time, the CRIM, in coordination with the municipalities, must strengthen and restructure the Collection and Embargo functions to aggressively follow up on those accounts that may become delinquent. Due to the discounts granted through this Regulation, CRIM will not consider discount programs or amnesties for future years.

ARTICLE 19 - EXCEPTION CLAUSE

The declaration of unconstitutionality or nullity of any of the articles or part of them will not affect the validity of the remaining articles of the Regulation.

ARTICLE 20 - AMENDMENTS

Any amendment or change to this Regulation must be made in accordance with the provisions of Act 38-2017, as amended.

ARTICLE 21 - DEROGATION CLAUSE

Any regulatory provision, certification, procedure, guide, standard, use or custom or other action of normative use that the CRIM has taken, adopted or promulgated, that is inconsistent with this Regulation and with Act 107-2020, is expressly repealed.

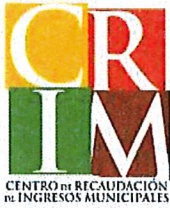
ARTICLE 22 - VALIDITY

This Regulation will enter into force immediately after its filing and promulgation by the Department of State, in accordance with Act 38-2017, as amended.

ADOPTED and APPROVED by the Governing Board at a meeting held in San Juan, Puerto Rico, today September 24, 2021.



Reinaldo J. Paniagua Latimer
Executive Director of CRIM



Municipal Revenue Collection Center

Reinaldo Paniagua Latimer
Executive Director

MAYOR'S CONSENT
FOR THE IMPLEMENTATION OF THE SPECIAL REGULATION OF BENEFIT TO THE
TAXPAYER FOR PAYMENT OF THE DEBT

The CRIM Governing Board, in a meeting on September 24, 2021, through Resolution Number 2022-09, approved the Delinquent Debt Collection Program, through regulations under Article 7.070, of Law 107-2020, according to amended, known as the Municipal Code of Puerto Rico.

In order to execute the provisions established in the Special Regulations for the Benefit of the Taxpayer for the Payment of Debt on Real Property, Article 11 provides that the CRIM must have the prior consent of the Mayor of the municipality where the property is located, when the agreement affect both the portion of the Basic Tax and the portion of the Special Additional Tax (CAE) or both.

For the aforementioned, I _____, Mayor of the Municipality of _____, after having received the pertinent information from the CRIM and understanding the scope of the Delinquent Debt Collection Program, I voluntarily consent to the implementation of the Special Taxpayer Benefit Regulations for Debt Payment, for the collection of delinquent debt on real property located within the Municipality of _____.

In _____, Puerto Rico, today _____ October 2021.

Mayor Signature