

(H. B. 4220)

(No. 101)

(Approved June 27, 2008)

AN ACT

To add Subsection 58 to Section 1022(b) of the “Internal Revenue Code of 1994,” Act No. 120 of October 31, 1994, as amended, to exempt from taxation the salary earned and compensation received by eligible investigators and scientists who conduct researches and studies in Puerto Rico in a higher education institution under the parameters of a scientific research proposal to the National Institutes of Health (NIH) or any other similar organization of the federal government or of the Commonwealth of Puerto Rico.

STATEMENT OF MOTIVES

The present trends of the economy clearly expose knowledge as the basis for development. On facing the new challenges of integrated economies and of the stressed importance of the development of scientific research to advance said economical integration, it is imperious for Puerto Rico to create incentives to promote the conduction of research that generate advances in the scientific fields, especially in health. Scientists investigate the causes, treatments and possible cures for the most common and uncommon diseases.

The development of science and technology results in an improvement in the quality of life and health of the citizenry. Advances in these areas have been promoted in the most developed countries by the joint effort of the public and private sector. In the United States, for example, the annual investments in research and its development amount to \$284 billion

dollars.

Puerto Rico should play a leading role in the promotion, stimulus and growth of the scientific production of the Island as well as in the preservation, diffusion and broadening of its scientific patrimony. In consideration to the fact that in this leading role two interests of great importance are disseminated, to wit: scientific research and health, the University of Puerto Rico and other higher education institutions are the public entities whose specialized knowledge must be united to take action for the purpose of promotion, stimulus and development of scientific and medical research.

In the United States, the National Institutes of Health, (NIH, English acronym), an agency of the Department of Health and Social Services, annually invests thousands of millions of dollars in scientific research through competitive grants that are adjudicated to more than 325,000 investigators in more than 3,000 universities, medical schools and other types of research institutions in every state and throughout the world.

In Puerto Rico, the universities and medical schools have been unable to attract investigators in part due the high cost of living and the high tax rates applicable to individuals. For the purpose of offering our research and higher education institutions a mechanism to attract more investors and scientists, this measure establishes an exemption to the compensation received by these investigators up to a maximum equal to that established by the NIH.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Title

This Act shall be known as the “Scientific Investigators Tax Incentives Act.”

Section 2.- Purpose

This Act has the purpose to retain and attract highly competent scientific investigators to Puerto Rico in order to further the scientific and economic development of the Island.

Section 3.- Subsection 58 is hereby added to Section 1022(b) of the “Internal Revenue Code of 1994,” Act No. 120 of October 31, 1994, as amended, to read as follows:

“Section 1022.- Gross Income

...

(58) The compensation received by an eligible investigator or scientist for services rendered to the University of Puerto Rico and to all those higher education institutions accredited in Puerto Rico for scientific research up to a sum equal to the maximum established by the National Institutes of Health for grants for salaries of investigators who receive grants from any of the organizations that constitute the National Institutes of Health for the applicable period in accordance to the notices published by the Institutes, provided that for the calendar year beginning on January 1, 2008, the amount to be excluded shall be one hundred ninety-five thousand (195,000) dollars. Any income received by the investigator or scientist for services rendered to natural or juridical persons other the University of Puerto Rico or a higher education institution is excluded from this benefit.

(A) Higher Education Institution. Means a public or private educational institution duly accredited by the Council on Higher Education in accordance with Act No. 17 of June

16, 1993, as amended.

- (B) Eligible Investigator or Scientist. Means an individual who is a resident of Puerto Rico during the tax year, contracted by the University of Puerto Rico or other higher education institution in Puerto Rico, engaged mainly in conducting eligible scientific research and who has submitted a scientific research proposal to the National Institutes of Health or to other organizations of the federal government or of the Commonwealth of Puerto Rico, and that due to the approval of said proposal, the academic institution receives a grant for research under the RO1 Research Project or its equivalent, whose amount covers the costs of the research, including the compensation of said investigator and of key personnel, purchase of equipment and supplies, publications and other related expenses; provided that with the exception of the cases of multiple principal investigators (PI's) there shall be more than one individual eligible for this deduction for grant approved.
- (C) Eligible Scientific Research. Means any research that is conducted by the University of Puerto Rico or any other higher education institution in Puerto Rico that receives a grant under the RO1 Research Project or other similar project of any of the organizations that constitute the National Institutes of Health or under similar programs or mechanisms sponsored by any other organization that promotes competitive scientific research, including but

not limited to the National Science Foundation.

Section 4.- Regulations

The Secretary of the Treasury is hereby authorized to adopt the regulations needed for the implementation of this Act.

Section 5.- Effectiveness

This Act shall take effect as of the tax years beginning after December 31, 2007.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 101 (H.B. 4220) of the 7th Session of the 15th Legislature of Puerto Rico:

AN ACT to add Subsection 58 to Section 1022(b) of the “Internal Revenue Code of 1994,” Act No. 120 of October 31, 1994, as amended, to exempt from taxation the salary earned and compensation received by eligible investigators and scientists who conduct researches and studies in Puerto Rico in a higher education institution under the parameters of a scientific research proposal to the National Institutes of Health (NIH) or any other similar organization of the federal government or of the Commonwealth of Puerto Rico,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 15th of August of 2008.

Francisco J. Domenech
Director