

Certainly, a detailed publication on Puerto Rico's Act 60, which consolidates various tax incentives into a single code aimed at promoting economic development on the island, would cover the key aspects and benefits for both corporate and individual investors.

Below is an outline of the essential information that such a publication would include, tailored to the context of a corporation planning to relocate operations to Puerto Rico and considering an Employee Stock Ownership Plan (ESOP) by 2024, with a goal of a complete sale by 2030.

### **Introduction to Puerto Rico's Act 60**

- Overview of Act 60, its objectives, and its significance in promoting economic development in Puerto Rico.
- Historical context, highlighting the consolidation of previous acts, including Acts 20 and 22, into Act 60.

### **Tax Benefits and Requirements for Corporate Investors** **Export Services Act (Title II of Act 60)**

- **Tax Benefits:**

- A fixed 4% corporate income tax rate for eligible businesses, significantly lower than most U.S. jurisdictions.
- 100% tax exemption on distributions from earnings and profits derived from the export services income.
- Up to 75% exemption on municipal and state taxes on property used for export services.
- 50% exemption on municipal license taxes related to export services activities.

- **Requirements:**

- Engagement in eligible services primarily serving markets outside Puerto Rico.
- Obtaining a decree securing the tax benefits for a term of 15 years, renewable under certain conditions.
- Compliance with employment and investment thresholds may be required.

## **Considerations for ESOP and Company Sale**

- How the 4% corporate tax rate can enhance profitability and valuation in the lead-up to an ESOP implementation and eventual sale.
- Strategies for structuring the business to maximize benefits while planning for an ESOP and sale.

## **Tax Benefits and Requirements for Individual Investors**

### **Individual Investors Act (Title III of Act 60)**

- **Tax Benefits:**

- o 100% tax exemption on long-term capital gains accrued after becoming a resident of Puerto Rico.
- o 100% tax exemption on dividend and interest income from Puerto Rican sources for new residents.
- o Special considerations for gains from cryptocurrencies, treated as capital gains.

- **Requirements:**

- o Non-residency in Puerto Rico for 10 years prior to Act 60's enactment.
- o Establishment and maintenance of residency within a specified timeframe.
- o An annual charitable contribution of \$10,000 to local Puerto Rican non-profit organizations.
- o Purchase of residential property in Puerto Rico within two years of establishing residency.
- o Submission and approval of an application for a tax exemption decree, securing the benefits for a 15-year term, with renewal possibilities.

## **Implications for Corporate Executives and Key Employees**

- Planning for individual tax benefits in the context of relocating key employees or executives as part of the business transition.
- Considerations for leveraging individual tax incentives to attract and retain top talent in Puerto Rico.

## **Compliance and Reporting Requirements**

- Detailed overview of the compliance measures, including the application process for tax exemption decrees and the importance of maintaining accurate records.
- Reporting obligations to both Puerto Rican and U.S. tax authorities, emphasizing the need for meticulous documentation and adherence to regulations.

### **Strategic Planning and Consultation**

- The importance of consulting with tax professionals knowledgeable in both Puerto Rican and U.S. tax law to navigate the complexities of Act 60.
- Strategic considerations for aligning the corporation's relocation, ESOP implementation, and eventual sale with the benefits available under Act 60.

### **Conclusion**

- Summary of the key benefits and requirements under Act 60 for both corporate and individual investors.
- Final thoughts on the strategic importance of Act 60 in the corporation's financial planning and long-term growth objectives.

This publication would serve as a comprehensive guide for the corporation and its stakeholders, providing a clear understanding of the opportunities and obligations under Puerto Rico's Act 60. It would also underscore the importance of strategic planning and professional guidance in leveraging these tax incentives to support the corporation's goals of relocation, ESOP implementation, and eventual sale.

