

REAL ESTATE TAX ANALYSIS

The Municipal Revenue Collection Center (CRIM, by its Spanish acronym) is responsible for assessing property and collecting real estate taxes. Puerto Rico's real estate rates are based on two (2) separate factors, one is the rate fixed by the Legislature of Puerto Rico, standard for all parts of the Commonwealth, and the other, is the rate set by the Municipality wherein a given property is located. The tax rates of most municipalities periodically revised and after Law 7 of 2009, are applied after being divided by 10.

In Puerto Rico, real estate is assessed at 1957-58 values based on a cost approach mass appraisal methodology and, as per Law 7 of 2007, are converted to current prices using a factor of 10. The law in Puerto Rico provides for a 10% discount on the property taxes, which are collected in two (2) yearly payments, if these are paid within the 30 days following the mailing of the tax invoice. In addition, the law also grants property tax exemption for the first \$150,000 of assessed valuation on one (1) residence, if owner occupied. Special real estate tax exemptions are often granted to some commercial / industrial properties as a job creation incentive.

A provision of the Puerto Rican law allows a taxpayer a discount for prompt payment of real or personal property taxes. Description of the discount follows:

Ten percent of the total tax, if the total amount is paid in full within 30 days of the date of notification.

Five percent of the total tax provided the amount is paid in full later than 30 days, but not exceeding 60 days of the date of notification.

Ten percent of semester, provided the first semester is paid within 30 days from the date of notification, and the second semester is paid within 30 days following January 1, of the fiscal year in which the taxes are levied.

Penalties and interest are charged for late payment of the property tax. The taxes are due within 90 days from the date in which the bills are mailed from the CRIM.