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# List of Priority Projects within Opportunity Zones

**August 23, 2019**

Pursuant to Act 60 of July 1, 2019 (known as the Incentives Code, referred to as "Act 60"), on August 21, 2019, the Qualified Opportunity Zones Priority Project Committee ("Committee") published the list of Priority Projects within Opportunity Zones in Puerto Rico.

Pursuant to Section 6070.60(a)(1) of Act 60, the Committee shall publish a list of Priority Projects on or before July 31, 2019 (hereinafter the "List"). Priority Projects that are on the List are eligible to apply for a tax exemption grant with the Office of Incentives under an ordinary process. If a proposed Project is not on the List, the proponent shall request from the Committee the designation of the Project as a Priority Project before filing an application for a tax exemption grant.

Said list was finally adopted on August 19, 2019 by Resolution 19-01 and published on August 21, 2019 through a press release issued by the AAFAF.

## Background

Adopted as part of the United States Tax Cuts and Jobs Act of 2017, the Qualified Opportunity Zones ("QOZ") program was designed to attract private investment into economically distressed areas. Section 1400Z-1 of the US Internal Revenue Tax Code paves the way for low-income communities to be designated as QOZ. Meanwhile, Section 1400Z-2 offers federal income tax incentives to a taxpayer who invests capital gains in a business located within a QOZ.

Aiming to fashion a parallel incentives for local investors and attract US capital into the Island, on May 14, 2019, the Governor of Puerto Rico enacted into law Act No. 21 of 2019 (hereinafter "Act 21") to create the legal framework for investing in QOZ and priority projects on the Island, while establishing conformity with the federal tax incentives. Act 21 was revoked by Act 60 which adopted the provisions of Act 21 into the newly adopted Incentives Code.

## Priority Projects within Opportunity Zones

The list of commercial activities that qualify as Priority Projects within the Opportunity Zones are:

1. Development (acquisition of property and construction thereon and/or substantial improvement of existing property) of residential real property that is a Low-Income Housing Project as defined in Section 42(g) of the US Internal Revenue Code of 1986, as amended, or by the Puerto Rico Department of Housing, for sale or rent
2. Development (acquisition of property and construction thereon and/or substantial improvement of existing property) of residential and/or commercial real property for sale or rent

3. Development (acquisition of property and construction thereon and/or substantial improvement of existing property) of industrial real property for sale or rent
4. Substantial improvement of an existing commercial property for sale or rent

The List will be effective for at least one (1) year after its publication, subject to possible eventual amendments based on commercial activity in Puerto Rico and the economic impact of awarding decrees in the region. Eventually, each Municipality will also be able to establish additional tax exemptions at the municipal level for these commercial activities through municipal ordinances.

Copy of the official press release can be accessed through AAFAF's webpage at http://www.aafaf.pr.gov/assets/pr-gov-reveals-list-commercial-activities-oz.pdf.
Copy of Resolution 19-01 can also be accessed at http://www.aafaf.pr.gov/assets/resolution-19-01.pdf.

Please contact our Tax Department should you require additional information regarding this or any other tax issue. We will be glad to assist you.




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