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New Appraisal Mechanism for Real Property Taxes

On February 12, 2019 Act 6-2019 (the "Act") was signed into law and amended the Municipal Property Tax Act of 1991 to introduce a new mechanism to appraise real property (including improvements) not previously appraised by the Municipal Revenue Collection Center ("CRIM" by its Spanish acronym). Under this new method, only available when there is no mortgage creditor, the owner of the property may engage an Authorized Professional Appraiser ("APA") in order to determine the classification and tax liability of real property.

What is an Authorized Professional Appraiser?

A person with a valid license issued by the Board of Examiners of Professional Real Estate Appraisers of Puerto Rico ("BEPREA"), who performs the corresponding procedures to determine the value of real property.

The APA contracted may not be the owner, an employee of the owner, or be related to the owner within the fourth degree of consanguinity or the second degree of affinity.

What kind of Property can be Appraised Under this New Method?

This new method may be used on the following property:

- Any property that has not been appraised by the CRIM;
- Any new construction; and/or
- Substantial improvements not appraised, made to a real property that has been appraised before.

What are the benefits of using this method?

As an incentive to use this method, the taxpayer will have the benefit of deducting from the tax liability the amount of expenses incurred (up to a maximum of \$500) in the appraisal, once it is submitted to the CRIM. Additionally, as a second benefit, the Act states that the imposition, notification and collection of the corresponding tax will be prospective as of the date on which the appraisal is made.

How to apply

The APA hired by a taxpayer must submit to the CRIM a contracted appraisal form (Model AS-79), accompanied by the following documents:

- I. Public Deed of Property
- II. Appraisal Report
- III. Valid License of the APA who appraised the property, issued by the BEPREA.
- IV. Exemption Form (Form AS-38)
- V. Tax Exemption Application (Form BC-71)
- VI. Payment of the tax liability determined according to the appraisal contracted by the owner.

To benefit from the provisions under this Act, all the documentation listed above, including the payment determined must be submitted on or before December 31, 2020, or within six (6) months after the acquisition of the property or six (6) months after the construction of an improvement.

At RSM Puerto Rico we can provide you with advice regarding this matter. Please contact our tax advisors at (787) 751-6164 | tax@rsm.pr for help or more information.