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Act 60 Comprehensive Guide

PUERTO RICO INCENTIVES CODE | LEY 60-2019

Everything you need to know about Puerto Rico's tax incentives for investors, entrepreneurs, and businesses

2026 EDITION | COMPREHENSIVE REFERENCE

*Pending reform (HB 505): 0% for pre-2026 decrees, 4% for new applicants if signed into law.

12

Chapters

76+

Laws Consolidated

0-4%

Capital Gains*

2-4%

Corporate Rate

3-15 YR

Decree Terms

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What Is Act 60?

Puerto Rico Incentives Code | Ley 60-2019

Enacted on July 1, 2019, Act 60 (officially the Puerto Rico Incentives Code) consolidated over 76 previously separate tax incentive laws into a single, unified code. This includes the well-known Act 20 (Export Services), Act 22 (Individual Investors), Act 73 (Manufacturing), Act 74 (Tourism), and many others.

The goal: create a streamlined, transparent framework for economic development that attracts capital, stimulates growth, and creates sustainable opportunities across Puerto Rico. All incentive applications since January 1, 2020 have been submitted under Act 60.

How Act 60 Is Organized

The Incentives Code is divided into six Subtitles, with tax incentives codified across multiple chapters of Subtitle B. Each chapter targets a different economic sector:

Chapter 1	General Provisions & SMB (PYMES) Incentives
Chapter 2	Individual Resident Investors (formerly Act 22)
Chapter 3	Export of Goods & Services (formerly Act 20)
Chapter 4	Finance, Investments & Insurance
Chapter 5	Visitor Economy (Tourism & Hospitality)
Chapter 6	Manufacturing (formerly Act 73)
Chapter 7	Infrastructure & Green Energy
Chapter 8	Agro-Industries (Agriculture)
Chapter 9	Creative Industries (Film, Media, Arts)
Chapter 10	Entrepreneurship (Young Entrepreneurs)
Chapter 11	Other Incentives (Physicians, R&D, Opportunity Zones)
Chapter 12	Administration & Compliance Procedures

Key Principles of the Incentives Code

- Return on Investment (ROI) methodology to measure the effectiveness of every incentive granted
- Decree as contract: your grant is a binding agreement with the Government of PR that cannot be unilaterally modified
- Decree terms vary by chapter (e.g., 15 years for Ch. 2/3, 3 years for Young Entrepreneurs), with extensions available upon compliance
- Consolidated application process through the DDEC's Single Business Portal (Portal de Incentivos)
- Continuous measurement and annual reporting to ensure accountability and transparency

Chapter 2: Individual Resident Investors

Formerly Act 22 | Tax incentives on capital gains, interest, and dividends

Chapter 2 is designed to attract high-net-worth individuals to establish bona fide residency in Puerto Rico by offering extraordinary tax benefits on passive investment income. For US citizens, this is one of the only ways to legally achieve low or zero capital gains taxation while remaining under US jurisdiction.

2025 Reform Update — PENDING (House Bill 505)

Passed by PR House (Apr 28, 2025) and Senate (Jun 25, 2025). Awaiting Governor's signature. If enacted: Decrees granted BEFORE Jan 1, 2026 retain 0% on capital gains, interest, dividends. New decrees ON OR AFTER Jan 1, 2026 would pay 4% fixed tax. New 6-year prior non-residency requirement. Program extended through 2055. Consult your tax advisor for current status.

Tax Benefits

- 100% exemption from PR income taxes on ALL interest and dividend income from PR sources (current law)
- 100% exemption on capital gains realized and accrued AFTER becoming a bona fide PR resident
- Pending reform: new decrees from 2026+ would pay 4% fixed rate instead of 0% on the above
- PR-sourced income also exempt from US federal income tax under IRC Section 933
- Pre-move capital gains: appreciation accrued before relocation subject to graduated toll tax (5% for assets held 10+ years)
- Applies to: stocks, bonds, crypto, real estate appreciation, and other investment assets

Eligibility Requirements

- Must become a bona fide PR resident on or before Dec 31, 2035 (pending reform extends to 2055)
- Must NOT have been a PR resident between Jan 17, 2006 and Jan 17, 2012 (pending reform: 6-year rolling non-residency replaces this blackout)
- Must satisfy the IRS three-part residency test: Physical Presence (183+ days), Tax Home, and Closer Connection
- Must purchase real property in PR within 2 years for use as principal residence
- Annual \$10,000 charitable donation to PR nonprofits (\$5,000 to child poverty organizations)
- Must file an Annual Report with DDEC; decree is a contract that cannot be unilaterally modified

Important: US-Sourced Income Remains Taxable

Even as a bona fide PR resident, income sourced from the US mainland (US rental income, US business income, US-sourced dividends from certain entities) remains subject to US federal income tax. The Act 60 benefit applies specifically to PR-sourced income. Proper structuring is critical to maximize benefits.

Chapter 3: Export Services & Commerce

Formerly Act 20 | 4% corporate tax for service exporters

Chapter 3 is a powerful tool to develop Puerto Rico as an international export service and commerce center. It provides dramatically reduced tax rates for businesses that provide eligible services from Puerto Rico to clients located OUTSIDE of Puerto Rico. This is the chapter most relevant to consultants, tech companies, digital agencies, and professional service firms relocating to PR.

Tax Benefits

4%

Corporate Income Tax

vs. 21%+ on US mainland

0%

Dividend Distributions

100% exempt from tax

75%

Property Tax Exempt

On real and personal property

50%

Municipal Tax Exempt

Patente Municipal savings

Additional benefits: 2% rate available for the first 5 years for SMBs or businesses in designated development zones. Standard decree term is 15 years, extendable for an additional 15 years. The decree is a contract that cannot be unilaterally modified by the government.

Eligibility Requirements

- Must maintain a bona fide office or establishment in Puerto Rico
- Services must be provided to clients located OUTSIDE of Puerto Rico (no direct economic nexus with PR)
- Most income-generating activities must be performed from within Puerto Rico
- Employment requirement: at least 1 full-time PR resident employee if annual revenue exceeds \$3M
- No employment requirement for businesses with annual revenue of \$3M or less
- Must request and obtain a Tax Exemption Grant (Decreto) from DDEC
- Must file an Annual Report and maintain CPA-audited financial statements

Chapter 3: Eligible Activities (Continued)

Comprehensive list of qualifying export services

The following categories of services qualify when rendered to clients outside Puerto Rico:

- Consulting & advisory services
- Management & administration
- Accounting & tax preparation
- Software development & SaaS
- IT infrastructure & cybersecurity
- Data analytics & AI/ML services
- Blockchain & crypto development
- Financial advisory & fund admin
- Investment management
- Risk management & actuarial
- Research & development
- Engineering & architecture
- Advertising & marketing
- Graphic design & creative services
- Digital marketing & SEO/SEM
- Public relations & communications
- Call centers & shared services
- Educational & training services
- Legal support services
- Insurance services
- Scientific & laboratory services
- Publishing (digital & print)
- App & video game development
- Telemedicine (to non-PR patients)
- Trading company operations
- Distribution of PR-manufactured products

Plus: Commissions on sales to clients outside PR, sale of intangible products, licensing and subscription revenue, cloud computing services, distribution through internet or blockchain, and income from creative industries exported outside PR.

What Does NOT Qualify

- Services provided to clients physically located IN Puerto Rico
- Income with a direct economic nexus to the PR local market
- Passive investment income (that falls under Chapter 2 instead)
- Businesses without a bona fide physical office presence in PR

Pro Tip: Structuring for Maximum Benefit

Many business owners combine Chapter 2 (Individual) and Chapter 3 (Export Services) decrees. The business pays only 4% corporate tax, then distributes profits as dividends at 0% tax to the individual decree holder. This creates an effective combined tax rate of approximately 4% on all business income. Proper entity structuring and documentation is essential to maintain this benefit.

Young Entrepreneurs Incentive

Chapter 10 of Act 60 | 100% tax exemption for ages 16-35

One of the most generous startup incentive programs available globally, the Young Entrepreneurs chapter of Act 60 offers Puerto Rico residents ages 16 to 35 an unprecedented opportunity to launch and grow a business with virtually no income tax for the first several years. This program was designed to combat brain drain and incentivize young professionals to build their careers and businesses on the island.

Tax Benefits (Section 2100.01)

INCOME TAX

0%

For 3 Years

On first \$500,000
of net income annually
Excess at ordinary rates

PROPERTY TAX

0%

For 3 Years

100% exemption on
personal property tax
of the new business

MUNICIPAL TAX

0%

For 3 Years

100% exemption on
all municipal taxes
(Patente Municipal)

Exemption Period (Section 2100.01(b)(4)):

Three (3) years from the date operations begin, as established in the tax exemption decree.

Eligibility Requirements (Section 2100.01(c))

- Must be a PR resident between ages 16 and 35; must sign a Special Agreement (Acuerdo Especial) with the Secretary of DDEC
- The business must begin its principal commercial operation AFTER signing the agreement with DDEC
- The business must be operated exclusively by Young Entrepreneurs
- Must be a NEW business — not one that operated through affiliates or resulted from a reorganization
- Benefits are limited to ONE new business per Young Entrepreneur
- Cannot be combined with any other Act 60 chapter or incentive law simultaneously — accepting another incentive voids the Young Entrepreneur benefits
- Income above \$500,000 and dividend distributions to owners are subject to ordinary PR tax rates

Example: A 28-year-old developer moves to PR, launches a consulting firm earning \$300K/yr. Tax savings vs. mainland: \$80K+/yr. Over 3 years, cumulative savings exceed \$240,000.

Strategic Transition: After Year 3

The Young Entrepreneur exemption lasts 3 years. After that, the business can apply for a Chapter 3 Export Services decree (4% corporate tax) if it serves clients outside PR. The entrepreneur can also apply for a Chapter 2 Individual Investor decree. Qualified healthcare professionals may apply for a Physician decree after the YE period ends (subject to DDEC availability). Plan this transition BEFORE the 3-year window closes.

Qualified Physicians & Healthcare Professionals

Act 14-2017, as amended by Act 47-2020 | 4% tax rate for medical professionals

Chapter 2, Section 2021.03 provides special tax incentives for Qualified Physicians to incentivize the retention and return of medical professionals to Puerto Rico, addressing critical healthcare shortages.

Act 47-2020: Expanded Eligibility

On April 28, 2020, Act 47-2020 expanded the definition of 'Qualified Physician' to include: audiologists, chiropractors, optometrists, and general practitioners — in addition to the original categories of physicians, podiatrists, and dentists (odontologists). NOTE: New applications were halted by the FOMB in 2021. Existing decree holders (~6,000) retain benefits. Check with DDEC for current application status, as this may change with future legislation.

Tax Benefits

- 4% fixed income tax rate on net income from professional medical services rendered in PR
- 100% exemption (including AMT) on up to \$250,000 per year of eligible dividends from a medical services entity
- Eligibility to contribute up to 25% of net income to individual retirement plans (Keogh) or corporate retirement plans as after-tax contributions
- 15-year decree term, extendable for an additional 15 years upon demonstrating compliance and economic benefit

Who Qualifies

- Physicians, podiatrists, audiologists, chiropractors, optometrists, dentists, and general practitioners (Act 47-2020) admitted to practice in PR
- Medical residents attending accredited programs in PR also qualify
- Must work full-time: minimum 100 hours/month providing healthcare services in PR
- Non-residents may apply; if approved, receive 120 days to relocate. DDEC considers specialty, shortage areas, and geographic need

Community Service Requirement

Every Qualified Physician must provide a minimum of 180 hours of community service per year through avenues such as: teaching at medical schools or to residents; providing services in underserved areas designated by CMPR and DSPR; on-call availability at designated hospitals; or contracting with the Government Health Plan (compensated).

Application & Fees

Apply through DDEC with the required documentation. The application is evaluated by DDEC, the Department of Health, and the Secretary of the Treasury. If approved, a \$1,000 acceptance fee is required to take possession of the Grant. Revocation can occur if the physician ceases to meet requirements, with a clawback of up to 3 years of tax benefits.

Other Qualifying Chapters

Additional sectors and activities covered by Act 60

Beyond the core chapters, Act 60 provides incentives across virtually every sector of Puerto Rico's economy:

Chapter 1: Small & Medium Enterprises (PYMES)

For businesses with revenues under \$3M serving the LOCAL PR market. Benefits: 4% corporate tax, 1% municipal tax, exemptions on property and excise taxes. Unlike Export Services, PYMES businesses CAN serve local customers. Ideal for restaurants, retail, local professional services, and community businesses.

Chapter 4: Finance, Investments & Insurance

Targets financial services firms: investment banking, asset management, fund administration, risk management, actuarial services, and insurance serving offshore clients. 4% rate positions PR as a hub for export finance, fintech, and blockchain financial services. Also covers international banking centers and protected cell companies.

Chapter 5: Visitor Economy (Tourism & Hospitality)

Covers hotels, condohotels, paradores, B&Bs, vacation clubs, tourist marinas, golf courses, theme parks, medical tourism, nautical tourism, and casino operations. Benefits include up to 75% exemption on construction taxes, income tax exemptions, and tax credits for qualified tourism investments.

Chapter 6: Manufacturing

Formerly Act 73. Incentives for manufacturing including R&D and high-tech sectors. Benefits: 4% CIT on eligible income, 75% property tax exemption, special deductions for capital investment, 50% R&D tax credit, 25% credit for purchasing PR-manufactured products.

Chapter 7: Infrastructure & Green Energy

Incentivizes renewable energy projects, infrastructure development, and clean technology. Tax credits and exemptions for solar, wind, and alternative energy production. Designed to reduce PR's dependence on fossil fuels.

Chapter 8: Agro-Industries

Supports agricultural businesses, food technology R&D, export of agricultural products, and value-added processing. Exemptions on property taxes, income tax incentives, and support for strengthening PR's agricultural sector and food security.

Chapter 9: Creative Industries

Sections 2091-2094 incentivize PR's creative economy: film production/post-production (features, shorts, documentaries, TV series, commercials, video games, music videos, film festivals), studio operations, and Creative Industries Development Districts. 4% fixed tax rate on eligible income, tax credits for production expenditures, and property tax exemptions within designated districts.

Residency Requirements

The foundation of all Act 60 benefits

Whether you are pursuing Chapter 2 (Individual Investor), Chapter 3 (Export Services), or the Young Entrepreneur incentive, establishing bona fide residency in Puerto Rico is the foundational requirement. The IRS applies three tests to determine residency:

1. Presence Test

Present in PR for at least 183 days per taxable year.
Track with: flight records, receipts, geo-tagged photos, credit card statements, and a detailed daily calendar.

2. Tax Home Test

Your principal place of business must be in PR.
Your primary office and income-generating activities are based on the island.
No mainland tax home.

3. Closer Connection

Stronger ties to PR than any other jurisdiction.
Factors: home, family, bank accounts, license, voter registration, social clubs, community ties.

Documentation You Should Maintain

- Puerto Rico driver's license and voter registration card
- Lease or mortgage documentation for your PR principal residence
- Utility bills (electricity, water, internet) in your name at your PR address
- PR bank accounts and financial institution relationships
- Detailed travel calendar with entry/exit records (keep boarding passes, passport stamps)
- Local community involvement: gym memberships, church, social clubs, children's school enrollment
- Professional licenses and business registrations in Puerto Rico
- Change of address documentation with USPS, IRS, financial institutions, etc.

The #1 Audit Risk for Act 60 Decree Holders

Residency verification is the most common trigger for IRS audits of Act 60 beneficiaries. The IRS and Hacienda are actively increasing enforcement. A forensic residency audit from PuertoRicoLLC.com helps you build a defensible presence record BEFORE any government challenge. Don't wait for an audit to discover gaps in your documentation. Proactive protection is essential.

Crypto & Digital Assets Under Act 60

Bitcoin, Ethereum, DeFi, NFTs, and blockchain businesses

Puerto Rico offers some of the most favorable tax treatment for digital assets available under US jurisdiction. Act 60 explicitly recognizes digital assets based on blockchain technology as qualifying assets under both Chapter 2 and Chapter 3. Here is how it applies:

For Individual Crypto Investors (Chapter 2)

- Capital gains on crypto SOLD AFTER becoming a bona fide PR resident: 0% tax
- Applies to Bitcoin, Ethereum, altcoins, NFTs, DeFi tokens, and all blockchain-based digital assets
- Pre-move appreciation: subject to a graduated toll tax (5% for assets held 10+ years at relocation)
- Staking rewards and yield farming income may be treated as ordinary income rather than capital gains
- Airdrops received after establishing PR residency may qualify for favorable treatment
- All crypto income must be properly documented with acquisition dates, cost basis, and holding periods
- PR-sourced crypto gains are also exempt from US federal tax under IRC Section 933

For Crypto Businesses (Chapter 3)

- Crypto consulting, development, and advisory firms serving non-PR clients: 4% corporate tax
- Blockchain development, smart contract auditing, and Web3 infrastructure services
- Exchange operations, OTC trading desks, and market-making services for offshore clients
- Fund management, digital asset advisory, and crypto hedge fund administration
- DeFi protocol development and decentralized application (dApp) services
- 100% exemption on dividend distributions from crypto business profits
- Tokenization services, NFT platform development, and metaverse infrastructure

Crypto Compliance Is Non-Negotiable

Every transaction must be tracked and categorized: capital gain vs. ordinary income, short-term vs. long-term, pre-move vs. post-move. This includes: wallet-to-wallet transfers, DEX swaps, liquidity pool entries/exits, staking deposits/withdrawals, NFT mints and sales, and bridge transactions. PuertoRicoLLC.com uses crypto-native accounting software to ensure full compliance.

S-Corp vs. LLC Tax Optimization

FICA savings strategy for Puerto Rico business owners

One of the most impactful tax planning decisions for PR business owners is whether to elect S-Corp status for their LLC. The primary benefit is reducing the 15.3% FICA/Self-Employment tax burden by splitting income between a reasonable W-2 salary (subject to FICA) and distributions (exempt from FICA).

How It Works

As a standard LLC (pass-through), all net profit is subject to 15.3% FICA/SE tax. With an S-Corp election, you pay yourself a 'reasonable salary' via W-2 payroll (subject to FICA), and take the remaining profit as distributions (NOT subject to FICA). The savings come from the distributions portion.

Category	LLC (Pass-Through)	S-Corp Election
Net Profit	\$100,000	\$100,000
W-2 Salary	N/A	\$50,000
Distributions	N/A	\$50,000
FICA Tax (15.3%)	\$15,300	\$7,650
PR Income Tax (~13.5%)	~\$13,500	~\$13,500
Annual Compliance Costs	\$0	~\$3,500
Total Annual Cost	~\$28,800	~\$24,650
NET ANNUAL SAVINGS	--	\$4,150

When S-Corp Makes Sense

- Net profit exceeds \$60,000 annually (below this, compliance costs may outweigh savings)
- You provide active services (not passive investment income)
- You can justify a 'reasonable salary' (IRS recommends 40-60% of net profit for service businesses)
- Sweet spot: \$75,000-\$500,000+ in net profit where FICA savings significantly exceed compliance costs

Visit PuertoRicoLLC.com for Our Interactive S-Corp Calculator

Our free online calculator lets you input your net profit and salary to see exactly how much you could save with an S-Corp election. We also handle the entire election process, payroll setup, 1120-S preparation, and ongoing compliance so you can focus on growing your business.

Annual Compliance Calendar

Every deadline Act 60 decree holders must know

Monthly 20th	IVU Filing Monthly Sales and Use Tax through SURI. Required even if 0% for exported services.
January 31	Reconciliation Form 499R-3 and Federal Form 940 (FUTA) for all employers.
January 31	W-2 / 480 Forms Issue W-2 and PR Form 480 series to employees and contractors.
March 15	S-Corp & Partnerships Income tax returns for all pass-through entities (Form 1120-S equivalent).
April 15	Individual Tax Returns Personal income tax returns (PR Form 482) and C-Corp returns.
April 15	LLC Annual Fee \$150 annual fee to the PR Department of State to maintain good standing.
April 15	Patente Municipal Municipal license tax (first installment). Based on business volume.
May 15	CRIM Property Tax Personal Property Tax return and payment due to CRIM.
June 15	2nd Estimated Tax Second quarterly installment for corporate and individual estimated taxes.
July 22	Patente Final Second installment of the Municipal License (Patente Municipal).
September 15	3rd Estimated Tax Third quarterly tax installment.
November 15	Act 60 Annual Report Decree compliance report filed with DDEC. Filing fee: \$5,000 (Ch.2) or \$300-\$750 (Ch.3).
December 15	4th Estimated Tax Final quarterly tax installment for the year.

Penalties for Non-Compliance

5-25% penalties on taxes owed | 10% annual interest | Loss of good standing with Hacienda
In severe cases: REVOCATION of your Act 60 decree and clawback of up to 3 years of benefits.



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Ready to Protect Your Wealth?

The IRS and Hacienda are tightening compliance enforcement. Don't leave your decree unprotected.

PuertoRicoLLC.com provides expert management through forensic audits, budget analysis, and full-cycle accounting for Act 60 decree holders and PR business owners.

OUR SERVICES

- Act 60 Compliance & Decree Setup (Individual, Export, Young Entrepreneur)
- LLC Formation, S-Corp Election & SURI Registration
- Bookkeeping, Payroll & Quarterly Tax Filings
- Forensic Residency Audits & Compliance Reviews
- Crypto & Digital Asset Accounting (Wallets, DeFi, NFTs)
- Budget Analysis & Virtual CFO Services

Schedule Your Free Consultation

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