



Law 101

Dear Researcher:

Public Law 101 (Law 101 hereafter) was approved in 2008 and is known as the Ley de Incentivo Contributivo a Investigadores Científicos (or the Scientific Investigators Incentives Act). Law 101 is a unique tax incentive to foster research and development (R&D) activity conducted at local universities in Puerto Rico, allowing qualified Principal Investigators (PI) or a Co-Principal Investigator (Co-PI) to seek tax exemptions for salaries earned from eligible R&D research grants. The main objective of this incentive is to attract and retain competitive researchers to strengthen Puerto Rico's performance in science and technology and the Archipelago's position in the knowledge economy.

Since the beginning of calendar year 2014, the Trust has been systematically identifying barriers that have prevented Law101 to work as expected and has developed mechanisms to overcome these. The Trust has developed this dedicated web space to provide the academic research community, in Puerto Rico and abroad, key information about this important incentive, to promote, improve and maximize its utilization.

The Frequently Asked Questions (FAQ) presented herein covers important aspects of Law 101 including the original ruling of the law, examples of eligible activities and investigators, required application documentation, and an overview of the Trust's role in the evaluation of applications. We also provide you with an email address (law101@prsciencetrust.org) through which you might contact us for any question about the law, its benefits and/or its eligibility criteria.

Our priority is that the procedures regarding Law101 applications are up-to-par with this unique tax incentive. We will continue to work so that this incentive, available only in Puerto Rico, works as projected to stimulate local R&D activity. As such, news about new procedures to spearhead the processing of cases will be announced through this space.

If you have already benefitted from the tax incentives offered through Law 101, we take this opportunity to commend you for being awarded with highly competitive grants to conduct important R&D activity in Puerto Rico. If you are a PI or a Co-PI of an eligible research grant and have not benefitted yet from this incentive we invite you to read the FAQ section provided herein to learn more about it or write us at law101@prsciencetrust.org.

Cordially,

Puerto Rico Science, Technology and Research Trust



Law 101 – Frequently Asked Questions

What is Law 101 and what is its purpose?

Public Law 101 was approved in 2008 and is known as the Ley de Incentivo Contributivo a Investigadores Científicos (or the Scientific Investigators Incentives Act). Law 101 is a unique tax incentive to foster research and development (R&D) activity conducted at local universities in Puerto Rico, allowing qualified researchers to seek tax exemptions for salaries earned from eligible R&D research grants. Through these incentives, Law 101 aims to attract and retain competitive researchers to strengthen Puerto Rico's performance in science and technology and the Archipelago's position in the knowledge economy.

Where can I find information about the specific dispositions of Law 101?

Specific dispositions about Law 101 are contained in its ruling, issued and made effective as of April 7, 2009. In general, this ruling document provides information about eligible research activity, applicants that may obtain the salary exemption benefit. You might download and access this document by clicking [here](#).

Which grant activity is deemed as eligible for Law 101 benefits?

In general, Law 101 Ruling Section 1022(b)(58)-1, (b), titled “Investigación científica elegible”, defines eligible grant activities as ones that meet the following criteria:

1. Grants issued to conduct research activity, defined as creative work undertaken on a systematic basis and designed to increase the stock of knowledge in a particular science field;
2. The grant must be based on a contractual agreement between the academic institution and the granting agency (including federal, state or private entities that promotes competitive scientific investigation). Agreements may be in the form of grants, cooperative agreements or contracts;
3. The grant must have been obtained competitively and must have been subject to same evaluation scrutiny as, for example, an NIH R01 grant. This means that the funding opportunity was open and available to any academic institution (as the eligible entity) and subject to peer reviews performed by qualified experts in the science field.

Could you provide examples of ineligible grant activity?

Ineligible grants for Law 101 benefits include the following:

1. **Sheltered grants**, or grants that are restricted to a determined group of eligible entities. Examples include:
 - o Grants restricted to minority-serving institutions (e.g NASA's University Research Centers, NIH SCORE Programs classified as SC1, SC2 or SC3; NOAA's National Weather Service –Minority Service Institutions (MSI));



- Grants restricted to institutions that serve high concentrations of disadvantaged students (e.g. NIH R24 grants)
- Grants restricted to states or jurisdictions in which the aggregate success rate or historical funding level has been low (e.g. NIH's Institutional Development Award (IDeA) program or those for Experimental Program to Stimulate Competitive Research (EPSCoR) States).
- 2. **Infrastructure grants**, issued mainly to strengthen the institution's research infrastructure or research capacity. Example includes,
 - NIH's Centers of Biomedical Research Excellence (COBRE);
 - NIH's Animal Model, and Animal and Biological Material Resource Grants.
 - NSF's Major Research Instrumentation Program.
- 3. **Supplemental grants**, restricted to supplement existing parent grants.
- 4. **Other ineligible grants**, as defined by Law 101 ruling including: training or training fellowship grants, education project awards, career development awards, among others.
- 5. **Other types of awards**, such as donations or unrestricted gifts or service contracts, not open to all institutions or that have undergone a competitive process of peer-review.

Who is eligible to benefit from Law 101 incentives?

In general, Law 101 Ruling Section 1022(b)(58)-1, (a), titled "Investigador Científico Elegible", defines an eligible applicant as a person that submits a proposal (to conduct eligible research activity as defined above) as Principal Investigator (PI) or Co-Principal Investigator (Co-PI) through a Puerto Rican academic institution that employs the PI or CoPI.

I conduct research activity through a sub-award between the academic institution that I work for in Puerto Rico and the prime recipient of a grant. Am I eligible to receive Law 101 incentives?

Yes, provided following conditions are met:

1. That the grant awarded to the prime recipient meets the eligibility criteria of Law 101 (e.g. issued to conduct eligible research activity, obtained competitively based on peer-review evaluation process scrutiny as a NIH R01 grant);
2. That the academic institution you work for appears clearly as the recipient in the sub-award agreement documents; and,
3. That you are clearly designated as the PI or Co-PI in the sub-award agreement documents.

The academic institution I work for evaluates my Law 101 application before sending it to the Trust. Why does the Trust evaluate the application again?

Because, according to Law 101 ruling, the Trust is the entity that must issue a final recommendation to the Secretary of the PR Treasury Department to grant the tax exemption benefit. This recommendation, in turn, is based on a thorough review of the application to make sure it meets the eligibility criteria as prescribed by the law.



What does the Trust's evaluation of Law 101 applications entail?

The Trust will verify the following:

1. That the grant (or grants) in the application is (are) awarded to conduct eligible research activity as defined by the law;
2. That the applicant is the PI or Co-PI of the grant(s) or sub-award;
3. That the academic institution is the prime recipient of the eligible grant(s) or subaward(s);
4. That the application includes the required supplementary information.

These evaluation steps are performed sequentially, meaning that if evaluation step #1 (evaluation of the grant's activity eligibility) renders the grant ineligible, subsequent steps will not be performed.

What is the Trust definition of a complete of Law 101 application?

The Trust defines a complete application as one that includes the following documents:

1. Sworn Statement from the Academic Institution's Chief Executive Officer, stating that:
 - The grant was examined by an Evaluator duly selected by the Institution to perform this task;
 - The Evaluator possesses the required professional skills and experience to perform the grant eligibility assessment, as established by a CV;
 - The Evaluator has prepared, based on his/her analysis, a written report with a conclusion that the grant meets the eligibility criteria, as defined in Section 1022(b)(58)-1 of Law 101 Ruling;
 - The Institution's Chief Executive Officer has reviewed the Evaluator's written report and, based on the information provided, sustains and supports the Evaluator's conclusions.
2. The following supplementary information:
 - Copy of the Evaluator's Curriculum Vitae.
 - Evaluator's Written Report with his/her conclusion that the grant meets eligibility criteria. This report must identify separately each grant that was subject to evaluation, including the project title and award identification number as provided by the granting agency. This report must be signed by the Evaluator and prepared in Academic Institution's letterhead.
 - Certification of eligible salaries earned by the Applicant during the taxable year. Eligible salaries are to be presented separately per each grant. Each grant, in turn, must have an identification number as provided by the Institution for its classification as a restricted fund. This Certification must be signed by a representative of the Academic Institution's that can certify



information regarding eligible salaries earned and prepared in Academic Institution's letterhead.

- Copy of the Notification of Award as issued by the granting agency. This document provides information about project PI, the name of the prime recipient and program/budget periods.
- Copy of the proposal. This document provides information about the eligibility of the research activity and the names of the PI(s) or CoPI(s) requesting the exemption benefits.

What happens to my application if, based on the Trust evaluation, the application is rendered complete and all the grants in the application meet the eligibility criteria?

In this instance, the Trust performs the following:

1. Send a letter to the Applicant investigator stating that the grant was duly evaluated and that a recommendation was sent to the Secretary of PR Treasury to grant the tax exemption benefits. This letter must include a description of each grant, the amount of incentive requested per grant and the conclusions reached per each grant.
2. Prepare a document for the PR Treasury Department with a recommendation to grant the tax exemption benefits. As agreed-upon with PR Treasury, this document will include the following:
 - A letter from the Trust's Executive Director addressed to the Secretary of the PR Treasury with the recommendation to grant the tax exemption benefits to the applicant.
 - A form, per each grant solicited by the Applicant, showing the evaluation performed to assess the grant eligibility, the Applicant's eligibility, and information about the Academic Institution Evaluator.
 - Certification of eligible salaries earned by the Applicant during the taxable year. Eligible salaries are to be presented separately per each grant. This Certification must be signed by a representative of the Academic Institution's that can certify information regarding eligible salaries earned and prepared in Academic Institution's letterhead.

What happens to my application if one or more of the grants in the application are rendered ineligible based on the Trust's evaluation?

For applications that include one or more grants that don't meet the eligibility criteria for Law 101 benefits based on the Trust's evaluation, the Trust will perform the following:

Send a letter to the Applicant and the Academic Institution stating the reason to reject one or more grants included in the application. This letter must include a description of each grant, the amount of incentive requested per grant and the conclusions reached by the Trust per grant. The Trust will provide the applicant 30 days to request a reconsideration of the Trust's decision.



What happens to my application if additional information is needed to perform the evaluation of a particular grant, based on the Trust's evaluation?

In these instances, the Trust will send a letter to the Applicant and the Academic Institution requesting the information that is needed to properly evaluate a particular grant. The Trust will provide the Applicant 30 calendar days to submit the required information.

How can I contact the Trust for general questions about Law 101?

You may send your questions about Law 101 incentives through to law101@prsciencetrust.org. Answers will be provided in 24 to 48 hours.