November 17, 2026

INFORMATIVE BULLETIN BY THE OFFICE OF INCENTIVES FOR BUSINESSES IN PUERTO RICO DDEC NO. 2026-011

ATTENTION: **INDIVIDUAL RESIDENT INVESTORS, APPLICANTS, REPRESENTATIVES, AND DECREE HOLDERS UNDER ACT NO. 22-2012 AND ACT NO. 60-2019, AS AMENDED**

SUBJECT: **ADDITIONAL CLARIFICATIONS REGARDING INDIVIDUAL RESIDENT INVESTOR REQUIREMENTS**

The Puerto Rico Incentives Code, Act No. 60 of July 1, 2019, as amended ("Incentives Code"), established the legal framework for the granting and administration of tax incentives in Puerto Rico and delegated to the Office of Incentives for Businesses in Puerto Rico ("OIN", for its Spanish acronym) of the Department of Economic Development and Commerce ("DDEC" for its Spanish acronym) the authority to process, evaluate, and oversee applications for tax exemption decrees, decrees granted thereunder, requests for amendments, and other matters related to the granting and administration of incentives under the Incentives Code.

On January 12, 2026, the OIN issued Circular Letter No. DDEC 2026-001 to clarify certain requirements applicable to Individual Resident Investors ("IRIs"), including matters related to the acquisition and maintenance of residential property in Puerto Rico. Subsequently, on March 10, 2026, Act No. 38-2026 was enacted, amending certain provisions of the Incentives Code applicable to IRIs. Thereafter, on April 24, 2026, the OIN issued Informative Bulletin No. DDEC 2026-004 to provide additional guidance regarding those amendments, including clarifications on prior residency requirements and the requirements applicable to the acquisition of a primary residence in Puerto Rico.

In light of additional questions arising from the implementation of these provisions, the OIN issues this Informative Bulletin to provide further clarification regarding **(i)** the prior residency requirements applicable to IRI decree applications filed after December 31, 2026, and **(ii)** the leasing, including short-term leasing, of property used to satisfy the primary residence requirement under Section 6020.10(c) of the Incentives Code.

I. CLARIFICATION REGARDING PRIOR RESIDENCY REQUIREMENTS FOR APPLICATIONS FILED AFTER DECEMBER 31, 2026

Question: As established in Section 1020.02(a)(4) of the Incentives Code, as amended, and Informative Bulletin No. DDEC 2026-004, an individual filing an IRI decree application after December 31, 2026, must demonstrate that he or she was not a resident of Puerto Rico during the six (6)-year period immediately preceding the individual's relocation to Puerto Rico. Must such applicant also demonstrate that he or she was not a resident of Puerto Rico between January 17, 2006, and January 17, 2012?

Answer: No. For IRI decree applications filed after December 31, 2026, the applicable prior residency requirement is that the applicant demonstrates that he or she was not a resident of Puerto Rico during the six (6)-year period immediately preceding the date of relocation to Puerto Rico.

The IRI program originated under Act No. 22-2012 ("Act 22") as an economic development measure intended to attract new residents, investment, and capital to Puerto Rico. Under Act 22, eligibility was measured by reference to a fixed historical nonresidence period extending from January 17, 2006, through January 17, 2012, corresponding to the six (6) years preceding the enactment of Act 22. That framework was later incorporated into the Incentives Code.

On March 10, 2026, Act No. 38-2026 ("Act 38") amended the Incentives Code and established, for applications filed after December 31, 2026, a six (6)-year prior residency requirement measured by reference to the individual's relocation to Puerto Rico. Its Statement of Motives reaffirmed the IRI program as a tool to attract investment and promote economic development and extended the program through 2055.

Consistent with that legislative history and purpose, the six (6)-year period is interpreted as the applicable prior residency lookback period for applications filed after December 31, 2026. Unlike the prior fixed historical period, which referenced the enactment date of Act 22, the amended requirement operates as a rolling lookback measured from the date the individual relocated to Puerto Rico. Requiring applicants to satisfy both the fixed historical period associated with Act 22 and the new six (6)-year period measured from relocation would impose a cumulative residency restriction inconsistent with the purpose of the Act 38 to maintain Puerto Rico as a prosperous and competitive jurisdiction open to local and foreign investment.

Accordingly, for applications filed after December 31, 2026, an individual who previously resided in Puerto Rico may qualify, provided that he or she was not a Puerto Rico resident during the six (6) years immediately preceding such relocation and otherwise satisfies all other applicable Incentives Code requirements, including becoming a resident no later than December 31, 2055.

Example 1: If an individual relocated to Puerto Rico on July 1, 2015, and files an IRI decree application after December 31, 2026, the relevant lookback period is the six (6) years immediately preceding July 1, 2015, rather than the separate fixed historical period from January 17, 2006, through January 17, 2012.

Example 2: An individual resided in Puerto Rico until June 30, 2008, moved to another jurisdiction, and relocates to Puerto Rico on March 1, 2028. If the individual thereafter files an IRI decree application, the relevant lookback period runs from March 1, 2022, through February 29, 2028. The individual's residence in Puerto Rico between 2006 and 2008 does not, by itself, render him or her ineligible.

Example 3: An individual who resided in Puerto Rico left on August 1, 2021, to pursue university studies in another jurisdiction and returns to Puerto Rico on June 1, 2028. Because the individual's domicile remained in Puerto Rico while studying outside Puerto Rico, that period does not count toward the six (6)-year period, and the individual does not qualify as an IRI.

This interpretation is also consistent with Informative Bulletin No. DDEC 2026-004.

II. CLARIFICATION REGARDING LEASING THE IRI'S PRIMARY RESIDENCE

Question: May an IRI decree holder lease, including on a short-term basis, the property used to satisfy the primary residence requirement under Section 6020.10(c) of the Incentives Code?

Answer: Section 6020.10(c) of the Incentives Code does not expressly prohibit the leasing of the property used to satisfy the primary residence requirement. However, the statute requires the decree holder to demonstrate through the applicable Annual Report that he or she maintains exclusive and complete dominion over the real property as his or her primary residence throughout the applicable term of the Decree.

Circular Letter No. DDEC 2026-001 previously clarified that IRI decree holders must provide evidence that they maintain ownership of the residential property and that such property continues to constitute their primary residence in Puerto Rico. Act 38 further reinforced the ownership requirement for applications filed on or after January 1, 2027, by requiring evidence of full domain and title duly registered or pending registration with the Puerto Rico Property Registry.

Accordingly, the existence of a lease, including a short-term rental arrangement, shall not, by itself, establish that the property has ceased to constitute the decree holder's primary residence, nor shall rental activity alone be determinative of noncompliance with Section 6020.10(c). The relevant inquiry is whether, considering the totality of the circumstances, the property continues to function as the decree holder's principal home and whether the decree holder maintains the ownership and residential requirement required under the Incentives Code.

In making such determination, the OIN may consider, among other relevant circumstances, the decree holder's actual occupancy and personal use of the property, the duration and frequency of any rental activity, whether the property remains available to the decree holder as his or her home, and other indicia demonstrating that the property continues to serve as the decree holder's primary residence in Puerto Rico.

The decree holder bears the responsibility of demonstrating compliance through the applicable Annual Report, including evidence of continued ownership and such information regarding the use, occupancy, availability, and rental of the property as may be necessary to establish that, notwithstanding any rental activity, the property continues to constitute his or her primary residence in Puerto Rico.

Furthermore, in addition to the above, the IRI must assure compliance with bona fide residency requirements, at the local and federal level, including, but not limited to, presence test, tax home test, and closer connection test.

The provisions of this Informative Bulletin are interpretative in nature and do not amend the Incentives Code, Act No. 22-2012, or the regulations adopted thereunder. All provisions of Circular Letter No. DDEC 2026-001 and Informative Bulletin No. DDEC 2026-004 that are not in contradiction with this Informative Bulletin remain applicable.

For more information regarding this Informative Bulletin, you may contact the OIN at (787) 758-4747 ext. 25153 or via email at: applications@ddec.pr.gov.

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