

PUERTO RICO SCIENCE, TECHNOLOGY AND RESEARCH TRUST

POLICY FOR THE IMPLEMENTATION OF REGULATION 7685 OF THE DEPARTMENT OF TREASURY OF PUERTO RICO

I. Purpose:

Act 101 of June 27, 2008 provided for tax exemption of the salary of academic researchers, who have obtained a competitive grant for such purposes. Regulation 7685 promulgated by the Department of the Treasury requests the Puerto Rico Science, Technology and Research Trust (the "Trust") in its role as facilitator for the recruitment and retention of qualified researchers, to assist the Department of the Treasury and provide recommendations to the Secretary of the Treasury as to the eligibility of the applicant researchers submitted by qualified Institutions of Higher Learning in Puerto Rico, as such terms are defined in Regulation 7685.

II. Legal Authority:

By virtue of the authority vested in the Trust pursuant to the provisions of Act 214 of 2004 and Deed Number 23, of December 31, 2004, the Trust hereby constitutes these internal policies in connection with the requirements of Regulation 7685, as it may be amended from time to time, and shall be effective while the responsibilities imposed upon the Trust by Regulation 7685 are in effect.

III. Advisors.

The Trust shall commission the services of Advisors who shall review the required documentation, pursuant to the terms of Regulation 7685, and make recommendations to the Trust's Executive Director as to the eligibility of the applicant researchers for the tax exemption concession. The Advisors shall consist of professionals experienced in the administration of competitive scientific research grants.

Advisors shall be recommended by the Trust's Grants Committee to the Executive Director. There shall be no limit to the period any Advisor may serve, except as otherwise provided in their service contract.

The advice and recommendations of the Advisors will not be inappropriately influenced by the Trust, the Trustees, the applicant's employer (higher learning institution) or by any special interest, but will instead be the result of the Advisor's independent judgment.

Adequate staffing and funds shall be made available by the Trust from the Trust Fund to perform these activities.

Procedure:

- 1) A Trust agent or representative shall review the application documents and shall ascertain that all documents required to provide a recommendation to the Secretary of the Treasury have been submitted to the Trust. The Trust may not commence its evaluation process until all tax exemption application documentation required, pursuant to the provisions of Regulation 7865, has been provided to the Trust. The thirty (30) day period for the Trust to submit to the Secretary of the Treasury its recommendation, specified in Article 1022(b)(58)-2(c) of Regulation 7685, shall not commence until all necessary documentation has been provided to the Trust. Any information or documentation not submitted shall be requested by the Trust to the applicant, within ten (10) days after receipt of the application.
- 2) The tax exemption application documentation shall be submitted to an Advisor, who shall utilize the criteria detailed herein to make its recommendation. The Advisor shall have fifteen (15) days to submit a written recommendation to the Executive Director.
- 3) The Executive Director shall prepare a written recommendation after receipt of the Advisor recommendation within the above mentioned period, and deliver the same to the Secretary of the Treasury for its final determination.
- 4) Any matter or criteria which has not been considered herein, shall be determined by the Grants Committee of the Trust.

IV. RO1 Grants Evaluation Criteria.

If an applicant has been awarded an RO1 Grant, the Advisors shall evaluate the following criteria to determine eligibility:

- 1) The RO1 Research Grant has already been awarded;
- 2) The Research Grant was awarded to a Qualified Higher Learning Institution in Puerto Rico, where the applicant researcher is an employee;
- 3) The applicant researcher is a Puerto Rico resident, as such term is defined in Section 1411(a)(25) of the Internal Revenue Code of Puerto Rico, during the employment period;
- 4) The applicant researcher is the Principal Investigator (as such term is defined in Regulation 7685) or one of the Multiple Principal Investigators specified in the Research Grant; and

- 5) The Research Grant must award salary for the applicant researcher.

The Advisor shall consider the records submitted, as well as the report submitted by the higher learning institution, and prepare a recommendation which shall include the following information:

- 1) The eligibility or non-eligibility of the applicant researcher;
- 2) The amount awarded by the Research Grant to the institution for salary purposes for that particular research and for the eligible applicant researcher;
- 3) The applicant's time percentage dedicated to eligible scientific research, as certified by the higher learning institution; and
- 4) The period for which the Research Grant was awarded.

V. Non-RO1 Research Grants Evaluation Criteria.

If an applicant researcher has been awarded a research grant which is not an RO1 Grant, the Advisors shall evaluate the following criteria to determine eligibility:

- 1) The Research Grant has already been awarded;
- 2) The Research Grant is awarded after a competitive process open to the entire United States scientific community, was based on a peer review method similar to the review method of the NIH R01 award mechanism, and such group has made a recommendation concerning the scientific merit of the application;
- 3) The Research Grant is eligible, pursuant to the terms of Regulation 7685, and pertains to a systematic research designed to contribute to the development of knowledge.
- 4) The Research Grant was awarded to a Qualified Higher Learning Institution in Puerto Rico, where the applicant researcher is an employee;
- 5) The applicant researcher is a Puerto Rico resident, as such term is defined in Section 1411(a)(25) of the Internal Revenue Code of Puerto Rico, during the employment period;
- 6) The applicant researcher is the Principal Investigator (as such term is defined in Regulation 7685) or one of the Multiple Principal Investigators specified in the Research Grant;
- 7) The Research Grant must award salary for the applicant researcher;

The Advisor shall consider the records submitted, as well as the report submitted by the Qualified Higher Learning Institution, and prepare a recommendation which shall include the following information:

- 1) The eligibility or non-eligibility of the applicant researcher;
- 2) The eligibility of the Research Grant;
- 3) The amount awarded by the Research Grant to the institution for salary purposes for

that particular research and for the eligible applicant researcher;

- 4) The applicant's time percentage dedicated to eligible scientific research, as certified by the higher learning institution; and
- 5) The period for which the Research Grant was awarded.

VI. Conflicts of Interest.

The Trust's Conflict of Interest Policy shall apply to the Advisors.

VII. Records and Minutes.

Records, reports, working papers, studies, or other documents which were made available to in connection with the evaluation, or prepared for or by the Advisors are confidential and shall not be available for public inspection. All documents submitted in connection with the Trust's recommendation shall not be returned.

Any matter or criteria which has not been considered herein in connection with the confidential nature of the documents submitted, shall be decided pursuant to the Department of Treasury's policy.

VIII. Recommendation.

Recommendations provided to the Secretary of the Treasury by the Executive Director of the Trust are advisory only and not binding on the awarding official.

IX. Definitions.

Any and all terms used herein shall have the meaning set forth in Act 101 of June 27, 2008 or Regulation 7685 (as amended from time to time), as may be applicable.