



COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF THE TREASURY  
PO BOX 9022501 SAN JUAN PR 00902-2501

# INDIVIDUAL INCOME TAX RETURN 2004

## *MESSAGE FROM THE SECRETARY OF THE TREASURY*

Dear taxpayer:

In this booklet you will find valuable information that will help you prepare the 2004 Income Tax Return. It is important for you to notice the increase of certain deductions and exemptions to make sure that your return is prepared correctly and processed without any delays.

For this year, a new credit is granted to salaried persons and pensioners whose adjusted gross income range between \$10,000 and \$50,000. Also, a new itemized deduction is granted for expenses incurred in the care of elderly persons. In addition, a new deduction up to a maximum of \$200 is granted for telephone service expenses related to communication with family members that are active military personnel in combat zone. Furthermore, some of the deductions, exclusions and exemptions that increased include the following: standard optional deduction, dependent's exemption, additional deduction for contributions to Individual Retirement Accounts (IRAs), deduction for expenses incurred in equipment for handicap persons, exclusion over the gain on sale of the principal residence for persons who are 60 years or older and the exemption for pensioners over 60 years of age. Finally, the tax rates over certain capital gains were reduced.

Remember that, as in previous years, you can **prepare your return and pay any tax balance due** through the **Tax Returns Online (TRO)** system which is available in our webpage: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr)

If you have any questions related to the preparation of your return, you can contact us at (787) 721-2020 extension 3611 or toll free at (1) (800) 981-9236. To find out information about your return status, refunds or payments, please call (787) 724-6666, (787) 721-2020 extension 3610 or toll free at (1) (800) 981-7666. In addition, you can contact our Taxpayer's Assistance Offices located in Ponce, Mayagüez, Caguas and Bayamón, which telephone directory is available in this booklet.

Juan A. Flores Galarza

## LONG FORM

If you file on a calendar year basis or if you do not keep accounting records, you must file your return on or before April 15, 2005.



Instructions to Complete the Schedules (Continued):

Schedule D1 Individual - Sale or Exchange of Principal Residence .....	38
Schedule D2 Individual - Special Tax on Net Long Term Capital Gains.....	39
Schedule E - Depreciation .....	40
Schedule F Individual - Other Income .....	41
Schedule G Individual - Sale or Exchange of All Trade or Business Assets of a Sole Proprietorship Business.....	43
Schedule H Individual - Income from Annuities or Pensions .....	44
Schedule I Individual - Ordinary and Necessary Expenses .....	45
Schedule J Individual - Medical Expenses and Charitable Contributions .....	46
Schedules K Individual, L Individual, M Individual and N Individual .....	46
Schedule K Individual - Industry or Business Income	
Schedule L Individual - Farming Income	
Schedule M Individual - Professions and Commissions Income	
Schedule N Individual - Rental Income	
Schedule O Individual - Alternate Basic Tax .....	49
Schedule P Individual - Gradual Adjustment .....	49
Schedule R - Special Partnership .....	49
Schedule T Individual - Addition to the Tax for Failure to Pay Estimated Tax in Case of Individuals .....	50
Instructions to complete Form 480-E - Estimated Tax Declaration .....	53
Occupational Codes List .....	56

## FILING REQUIREMENTS

### WHO MUST FILE THE INCOME TAX RETURN?



a) Every individual resident of Puerto Rico who is single (or married not living with spouse), that during the taxable year has a gross income over \$3,300;

b) Every individual resident of Puerto Rico who is married living with spouse, that during the taxable year has individually or jointly a gross income over \$6,000;

c) Every individual not resident of Puerto Rico, citizen of the United States, who is single (or married not living with spouse), that during the taxable year has a gross income over \$1,300, unless the taxes have been totally paid at source;



d) Every individual not resident of Puerto Rico, citizen of the United States, who is married living with spouse, that during the taxable year has individually or jointly, a gross income over \$3,000, unless the taxes have been totally paid at source; or

e) Every nonresident alien who has gross income from sources within Puerto Rico, unless the taxes have been totally paid at source.

### WHO MUST FILE THE LONG FORM?

Every individual who meets one or more of the following requirements must file the **Long Form**:

- Your gross income is over \$75,000.
- You received income from alimony, interest, dividends, sole proprietorship business or from any other source.
- You claimed any tax credit.
- You elected to itemize deductions instead of claiming the standard deduction (Note: If you are married living with your spouse and elected to file separate returns, and your spouse itemized deductions, you must file the **Long Form** and itemize deductions too).
- You are required to file an Estimated Tax Declaration.
- You are a United States citizen or a resident alien, participant of Major League Baseball Games or U.S. National Basketball Association celebrated in Puerto Rico.
- You are a nonresident alien who must file a return.
- You elected to file under the status of married filing separate returns.

If you do not meet these requirements, you must file the **Short Form**.



### WHEN THE RETURN MUST BE FILED?

If you file on a calendar year basis or do not keep accounting records, you must file your return on or before **April 15, 2005**.

### WHERE THE RETURN MUST BE FILED?

The return can be mailed to the following address:

#### a) Returns with Refund:

DEPARTMENT OF THE TREASURY  
PO BOX 50072  
SAN JUAN PR 00902-6272

#### b) Returns with Payment and Others:

DEPARTMENT OF THE TREASURY  
PO BOX 9022501  
SAN JUAN PR 00902-2501

For your convenience, **we are enclosing two envelopes with different addresses and colors**, whichever applies. Make sure to use the correct one.

You can also deliver your return to the Department of the Treasury at Intendente Alejandro Ramírez Building in Old San Juan, at the District Offices, at the Internal Revenue Collections Office of your Municipality, or at the Tax Orientation Centers.

## RELEVANT FACTS

### EVIDENCES OF THE RETURN

**You do not have to include with the return the evidences corresponding to the itemized and additional deductions, and to the exemption for dependents. However, you must keep such evidences during at least 6 years**, in case that they may be required as part of an investigation or audit procedure. In such cases, if you do not present the evidences, your return may be adjusted and the corresponding interest and surcharges will be assessed over any balance of tax due.

### SOCIAL SECURITY NUMBER

The postal address mailing label that is on the back of the return's instructions booklet will not include the taxpayer's social security number.

**For this reason, you must write your social security number in the corresponding space of the return and schedules. It is important that you write your social security number; this number is necessary to process your return.**

### CHANGE OF ADDRESS

To notify a change of address **at the moment of filing the return, you will not have to complete Form SC 2898 (Change of Address)**. You must write the new address in a clear and legible way in the space provided for this purpose in the return's heading, therefore, **do not use** the label. Also, you must fill in completely the oval (○) beside "Yes" in the space to indicate if there was a change of address.

On the other hand, if you change your address **at any other moment during the taxable year, you must use Form SC 2898**. It is available at the Forms and Publications Division, Office 603 of the Department of the Treasury in Old San Juan, or you may request it calling (787) 721-2020 extensions 2645 and 2646. Also you may obtain it accessing our Internet site [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr).

### NEW TAX BENEFITS

- ↺ Increase in the **exemption on the income from pensions** to persons who are age 60 or older, from \$11,000 to **\$12,000**.
- ↺ Increase in the **optional standard deduction** as detailed immediately afterwards:
  - Married living with spouse and filing jointly from \$3,000 to **\$3,150**
  - Head of household from \$2,600 to **\$2,730**
  - Single or married not living with spouse from \$2,000 to **\$2,100**
  - Married filing separately from \$1,500 to **\$1,575**

- ↺ A deduction up to a **maximum of \$200** is allowed for **telephone service payment** for the expense incurred in the communication with **military personnel in combat zone**.
- ↺ Increase in the **exemption for dependents** for non university, disabled, blind or age 65 or older from \$1,300 to **\$1,600**.
- ↺ Increase from \$3,300 to **\$3,400** in the maximum amount of income that a child of the taxpayer can earn, who is a regular student, so that the parents can claim the exemption for dependents.
- ↺ An **itemized deduction** is allowed **for expenses incurred in the care of elderly persons** that will not exceed **\$600** (\$300 if married filing separately) **for one** elderly person and **\$1,200** (\$600 if married filing separately) **for two or more** elderly persons.
- ↺ Increase in the **maximum** deduction for expenses incurred in the purchase of technological assistance equipment for handicapped persons, specialized treatment or chronic disease (formerly known as orthopedic equipment expenses for handicapped persons) from \$1,000 to **\$1,250**.
- ↺ Increase in the deduction for contribution made to an Individual Retirement Account (**IRA**) from \$4,000 to **\$5,000** (from \$8,000 to **\$10,000** in case of married individuals filing a joint return).
- ↺ A **tax credit** is granted **for construction investments in urban centers**, equal to 75% from the cost of the project or improvement.
- ↺ A **tax credit** is granted **to merchants affected by urban centers revitalization**, equal to 8% of the 50% from the gross sales generated during the construction period.
- ↺ An **option** is provided **to claim a tax credit or an itemized deduction for charitable contributions**, to every person that constitutes an eligible conservation easement or that donates an eligible land.
- ↺ A **tax credit** is granted to every person who is single, head of household or married filing jointly, **whose adjusted gross income is over \$10,000 but does not exceed \$50,000**, and whose **only source of income consists of salaries and wages subject to withholding in Puerto Rico, pensions or tips**.
- ↺ A tax exemption is granted, subject to certain limitations, to every person who operates as a **bookseller**. Said exemption shall be 15% from the total income tax attributable to income from the sale of books printed in Puerto Rico or from Puerto Rican authors.
- ↺ Reduction of 50% in the special tax rates applicable to net long-term capital gains realized during the period of July 1, 2004 through June 30, 2005, subject to certain requirements. Also, this reduction will apply to lump-sum distributions from qualified pension plans.



Participants or beneficiaries of **qualified pension plans** who are age 55 or older at the moment of the **total distribution**, are allowed to benefit from a 10% preferential rate, if an average of 10% of the total contributions to the fiduciary have been invested in property located in Puerto Rico.

An election is allowed, to consider the lump-sum distribution under a **variable annuity contract** issued by an eligible insurance company, as a long-term capital gain subject to the 20% tax rate. Also, you may elect to prepay the tax over the amount accumulated and not distributed from a variable annuity contract.

Gradual increase in the exclusion from the capital gain derived from the sale or exchange of the principal residence. For taxable years beginning in or after January 1, 2004 and before January 1, 2005, **the allowable exclusion is \$130,000.**

Participants of the **Retirement Saving Accounts Program**, when they leave the service with the normal age for retirement, may transfer the balance in their saving account to individual retirement accounts or to non deductible individual retirement accounts, or may receive the payment in a lump-sum.

Payments or distributions from an **IRA** not exceeding **\$20,000**, made during the period beginning July 1, 2004 and ending December 31, 2004, will be subject to a 10% tax, in lieu of any other tax provided by the Code. Also, during the aforementioned period, taxpayers may elect to pay in advance the 10% tax over any amount **accumulated and not distributed** in an IRA.

**Museological institutions** and the **Puerto Rico Communitarian Foundation** were included as part of the entities to which charitable contributions can be made, and at the same time, claim a deduction for this concept. Also, such entities qualify for the 15% additional deduction for charitable contributions.

An **additional special deduction** is granted to **Río Piedras merchants** who have been affected by the Urban Train construction, equivalent to 50% (up to \$1,000) of the total amount paid for utility services.

An option is allowed to the taxpayer to claim the **credit for purchase of products manufactured in Puerto Rico to be exported**, against the income tax or against the excise taxes paid by the eligible business. Also, the requirement to reduce the value of the annual purchases by the average of the purchases made during the basis period was eliminated.

A 20% special tax is imposed on the income received from the U.S. National Basketball Association for games celebrated in Puerto Rico.

Income from royalties received by **Puerto Rican authors** is exempt from the payment of income tax **up to \$10,000.** Also, income received by **designers and translators** will be exempt **up to \$6,000**, for their work in the preparation of books.

The following benefits are granted regarding urban centers revitalization:

- deduction for creation of employments,
- deduction for transfer of employees,
- exclusion for the development of parkings,
- special exemption over income from interest earned by loans, and
- accelerated depreciation.

Cafeteria plans were incorporated to our tax system.

Interest from liabilities issued by the Puerto Rico Housing and Human Development Trust are excluded from the gross income.

Certain income, distributions and benefits derived from a Holding Company or from an International Insurer are excluded from the gross income, as provided by the Puerto Rico Insurance Code.

The Puerto Rico Volunteering Act was established, which among others, does not consider as remuneration the money received by volunteer personnel for daily allowances, viaticum, and reimbursed expenses, up to a maximum of \$1,500.

## SIGNIFICANT CHANGES ON THE RETURN

### Return and Schedules

Remember that in the parts where the taxpayer provided information making check marks, the boxes were changed to ovals, which must be filled in completely.

Correct:  Incorrect:  

### Part 2

A new line is provided, **line 2(G)**, to indicate distributions from the Retirement Saving Accounts Program of government employees.

### Part 3

**Line 10** is provided to reflect the telephone service payment for communication with military personnel in combat zone.

### Part 4

The name of **line 23** is modified to include the tax on distributions and transfers from the Retirement Saving Accounts Program.

A new line is provided, **line 25**, to indicate the tax on income from Major League baseball teams and the U.S. National Basketball Association.

#### **Schedule A Individual**

In **Part I, line 4** is provided to claim the deduction for expenses incurred in the care of elderly persons.

Also, the name of **line 12** is modified to indicate the expenses incurred in the purchase of technological assistance equipment for handicapped persons, specialized treatment or chronic disease.

#### **Schedule B Individual**

**Part I** provides to indicate the recapture of conservation easement credit claimed in excess.

On the other hand, various lines are added in **Part II: line 11** to reflect the credit for construction investment in urban centers; **line 12** corresponding to merchants affected by urban centers revitalization; **line 16** to reflect the credit for the establishment of an eligible conservation easement or donation of eligible land; **line 17** corresponding to the credit for salaried persons or pensioners; and **line 18** for the exemption for persons that operate as bookseller.

Also, in **Part III, line 14** is added to indicate the tax withheld on IRA distributions under Section 1169A, and **line 17** to inform the tax withheld on distributions and transfers from the Retirement Saving Accounts Program.

#### **Schedule D Individual**

Additional columns are added in **Parts II, III, IV, and VI** to indicate the reinvestment in P.R. and to detail the capital gains and losses under the provisions of Act No. 226 of 2004.

Also, **Part V** is added to indicate the long-term capital gains and losses realized under special legislation.

**Part VI** is modified also, to inform lump-sum distributions from qualified pension plans under the provisions of Acts No. 226 and No. 404 of 2004, and from variable annuity contracts.

On the other hand, in **Part VII, Columns C, E, G and H** are provided to breakdown the long-term capital gains and losses under Act No. 226 of 2004 and under special legislation.

#### **Schedule D2 Individual**

On **line 2** another column is added to indicate the gains under Act No. 226 of 2004. Also, **lines 2(d), 2(g) and 2(h)** are provided to inform distributions from qualified plans under Act No. 404 of 2004, gains under special legislation, and distributions from variable annuity contracts, respectively.

On the other hand, **lines 10, 11 and 12** are provided to determine the special tax rates of 5%, 3.5% and under special legislation.

#### **Schedule F Individual**

**Part V** is added to indicate distributions and transfers from the Retirement Saving Accounts Program.

**Part VI** provides the new **Column D** to inform income received from Major League baseball teams and the U.S. National Basketball Association. Also, **line 2** is added to indicate the tax on said income.

#### AREA CODE

You must indicate the area code (**787** or **939**) in the parenthesis located in the spaces provided in the heading of the return, to write the phone number of your residence and office.

#### RETURNED CHECKS FOR INSUFFICIENT FUNDS

Every check drawn on behalf of the Secretary of the Treasury that is returned because of non sufficient funds, will be subject to a \$20.00 charge that will be debited from your bank account. This charge is in addition to any other interest, surcharges or penalties provided by the Code or any other fiscal law, for omissions in fulfilling your tax responsibility.

#### FILE THE TAX RETURN THROUGH INTERNET

To expedite the process of your Income Tax Return, you will be able to file it through Internet. This option is available for **all** individual returns (refund, with payment and without payment), **except those in which** the taxpayer claims any of the credits detailed in Part II of Schedule B Individual, for which evidence is required with the return. Our site is: **www.hacienda.gobierno. pr**.

If you request the direct deposit of your refund to your checks or savings account, make sure that all the information included in Part 5 is correct.

#### SCHEDULE A1 INDIVIDUAL

On this schedule you must include all the information related to the dependents claimed on the return. **If all the information requested on this schedule is not submitted or the schedule is not included, the exemption will be rejected.**

You must also include on this schedule the information of the beneficiaries and the amounts contributed to an Educational Contribution Account.

#### DIRECT DEPOSIT OF THE REFUND

Now you can receive your refund faster and safely. The Department of the Treasury can deposit your refund directly to your checks or savings account.

To authorize the Department of the Treasury to deposit your refund directly to your account, you must meet the following requirements:

☞ **Complete Part 5 - Authorization for the Direct Deposit of the Refund**

**Type of Account** - Indicate if the deposit will be made to your checks or savings account, by filling in completely the oval corresponding to the type of account.

**Route/Transit Number** - Enter the route/transit number of your account. This information appears on the check (see Example A). In the case of a savings account, you must call the financial institution to obtain the route/transit number. **Do not leave blank spaces. Do not use hyphens or other symbols.**

**Account Number** - Enter the checks or savings account number. **Do not use hyphens or other symbols.** Neither fill out blank spaces with zeros. The account number may have less numbers than the spaces provided for this purpose in this part.

**Account in the name of** - Enter your name, as it appears on your account. In case of married filing jointly, **the account must be in the name of both spouses.**

☞ **In the case of married filing jointly, the return must be signed by both spouses.**

☞ **All the information requested must be completed. Otherwise, the financial institution and the Department of the Treasury will reject the transaction.**

☞ **The account must be in a participating financial institution. You must verify this information directly with the financial institution.**

The Department of the Treasury is not responsible if the financial institution rejects the direct deposit of your refund. The financial institution will send a pre-notification to **confirm the information of the Direct Deposit of your Refund.**

If after processing the return, the refund applies and the transaction was accepted, the Department of the Treasury will send you a Notification (Form SC 2716) to inform you that your refund was deposited directly to your account.

If the transaction is rejected by the financial institution or if the information submitted on your Income Tax Return is incomplete, a Notification (Form SC 2717) and your refund through a check will be sent by mail.

On the other hand, if after processing the return the refund does not apply, a notification will be sent in relation to this matter.

**CONTRACTS WITH GOVERNMENTAL ENTITIES**

Every person, natural or juridical, contracted by a governmental entity, must comply with the Executive Order 91-24, as amended, and the provisions of the Circular Letters in force at the time of processing the contracts. According to said provisions, every contract subscribed by a governmental entity must include a clause to certify that the contracted party filed the income tax returns for the last five years, and that the income, property, unemployment, temporary disability and drivers social security taxes, whichever applies, have been paid.

**EXAMPLE A**

John Doe  
Jane Doe  
Calle Principal # 19  
Ponce PR 00731 0249

---

PAY TO THE ORDER OF \_\_\_\_\_ \$

---

\_\_\_\_\_ DOLLARS

ANY BANK  
Any Place, Ponce PR 00731

FOR \_\_\_\_\_

Route/  
Transit  
Number

Account  
Number

Do not include the  
check number

⑆ 021601244 ⑆ 012 ⑆ 244400 ⑆ 0249

**AUTHORIZATION FOR THE DIRECT DEPOSIT OF THE REFUND**

**Part 5**

Type of account      Route/Transit Number      Account Number

Checks     Savings   
 0
2
1
6
0
1
2
4
4
0
1
2
4
4
4
0
0
0
0
0
0
0
0

Account in the name of: John Doe and Jane Doe

(Complete name in print letter as it appears on your account. If married and filing jointly, include your spouse's name)



In addition, in order to approve a contract or purchase order, the governmental entity must require the tax return filing (Form SC 6088) and debt (Form SC 6096) certifications from the Internal Revenue Area of this Department, the property tax certification from the CRIM and the corresponding certification from the Department of Labor and Human Resources. These documents must be requested annually.

In order to expedite the process of issuing the certifications, every person who has filed income tax returns for the last 5 years and who does not have tax debts, or if having debts, has formalized a payment plan, will receive automatically by mail the Tax Return Filing and Debt Certification (Form SC 2628). **For this purpose, it is necessary that if you or your spouse are contracted by a governmental organism, indicate so in Part 1, page 1 of the return.**

Since sometimes the tax return for the last filing year can not be certified because the return is not already processed, it is recommended to hand in personally the original return with a copy, in order to receive said copy sealed with the Department's receipt stamp. This service will be offered at the Department of the Treasury, Intendente Ramírez Building in Old San Juan, at the District Offices, at the Internal Revenue Collections Offices, and at the Tax Orientation Centers.

#### ENVELOPE TO SEND THE RETURN

In order to identify the return faster, we have enclosed 2 envelopes with different addresses and colors: one with yellow indicator for returns with refund; and a white one for returns with total payment, payment of the first installment (differed payment), payment through electronic transfer, exempt returns and others. Make sure to fill in completely the corresponding oval and to use the correct envelope.

#### FEDERAL EMPLOYEES - Exclusion of Cost of Living Allowance (COLA)

The COLA received by civilian employees of the Federal Government is excluded from the gross income up to the amount exempt under the Federal Internal Revenue Code. In order to claim this exclusion, the taxpayer must include with the tax return the evidence to show the amount received during the year. Nevertheless, the Department may revoke the privilege granted if it is determined that the taxpayer did not comply with his/her tax responsibilities at any moment. In that case, the taxpayer must have to pay the amount due with the corresponding surcharges and penalties.

#### PROVISIONS APPLICABLE TO CERTAIN MILITARY PERSONNEL

##### Exclusion from Income

Any compensation received from active military service rendered by military personnel in a combat zone designated as such by the President of the United States is exempt from the payment of income tax.

#### Extension of Time to File

An extension of 6 months to file the income tax return shall be granted to any taxpayer who has been activated and transferred to render military services outside of Puerto Rico during any warlike conflict. Said extension shall be granted from the date in which the taxpayer ceases in the active military service.

To enjoy this benefit you should:

1. File the return within the 6 months beginning from the date in which you ceased in the active military service.
2. Indicate on the upper central part of the return's first page, the place of the warlike conflict in which you were active.
3. Attach to the return the military orders showing your transfer outside of Puerto Rico, your stay in a warlike conflict, and the date of your return.

If you file the return following these indications, the extension shall be considered as granted.

#### Extension of Time to Pay

An extension of 6 months to pay the tax shall be granted to every taxpayer that during any warlike conflict is activated and transferred to render military service outside of Puerto Rico. Such extension shall be granted from the date in which the taxpayer ceases in the active military service.

Also, it shall be exempt from the payment of interest, the tax declared on the return which payment had been extended.

#### ADDITIONAL CHILD TAX CREDIT FOR BONA FIDE RESIDENTS OF PUERTO RICO (Benefit provided by the Federal Government to qualified Puerto Rico residents)

The U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico) (Form 1040-SS) enables you to claim the Additional Child Tax Credit, if you comply with the following requirements:

- you are a bona fide resident of Puerto Rico;
- you made contributions to Social Security or Medicare from your salaries or paid the U.S. self-employment tax; and
- you have three (3) or more children under age of 17.

**For additional information and to obtain Form 1040-SS you must contact the Internal Revenue Service at 1-800-829-1040.**

### PAYMENTS FOR THE PREPARATION OF THE RETURN

If you pay for the preparation of your return, the signature, registration number, and employer's identification number of the specialist are required on your return. The Code provides civil and criminal sanctions to those income tax return specialists who do not provide this information.

### RETURN WITH CHECK

Every taxpayer who sends a check with the return must attach the same to the upper part of the return's first page. This will allow us to apply the payment promptly and minimize mistakes in processing the return. It is important that you use the white envelope with the address for Returns with Payment and Others.

### PAYMENT OF TAX THROUGH ELECTRONIC TRANSFERS

You may pay the total or the first installment of income tax declared on the income tax return, through electronic transfer using the telephone. You may also make the second installment of income tax using this method. This service is exclusive for clients of the participating banking institutions. You must have your social security number and bank account number at the moment of making the call.

#### Procedure

- 1) Call your banking institution and ask for this service.
- 2) In the space provided for this purpose on line 36(b) of the return, write the transaction number provided by your banking institution.
- 3) In the upper left part of the return's envelope you must fill in the oval corresponding to payment through electronic transfer.
- 4) Mail your return on or before April 15.

Also, if you file your tax return through the Tax Returns Online system (TRO), the payment of the tax may be done through internet using Payments Online.

For additional information, please call the Taxpayer's Service Offices.

### OVERPAYMENT APPLICATION

Any overpayment will be applied against any exigible tax liability imposed by the Code. If married and one of the spouses owes taxes, the overpayment may be applied to any exigible debt.

### RETENTION OF REFUND FOR THE CONCEPT OF CHILD SUPPORT

If you are a parent who has the obligation to provide child support to your children through the Child Support Administration (ASUME) and you owe said pension, your refund may be retained. If you understand that the retention does not apply, you will have 10 days from the date of the notification to object the same at the ASUME office nearest to your residence.

### TAXPAYER'S SERVICE FACILITIES

In the Taxpayer's Service offices, besides **informing about the status of your refund**, other services are offered: Tax Return Filing Certifications, Return's Copies, Inheritance and Donations Cases, Individuals, Corporations, Partnerships and Professional Services Waivers.

Following is the address and telephone number of our offices:

- ☞ **San Juan**  
Intendente Ramírez Building  
10 Paseo Covadonga Office 101  
Telephone: **(787)721-2020** extension **3610**  
or **1-800-981-7666**
- ☞ **Bayamón**  
Road #2  
2<sup>nd</sup> Floor Gutiérrez Building  
Telephone: **(787)778-4949**, **(787)778-4973** or  
**(787)778-4974**
- ☞ **Caguas**  
Goyco Street, Acosta Corner  
1<sup>st</sup> Floor Governmental Building Office 110  
Telephone: **(787)258-5255** or **(787)745-0666**
- ☞ **Mayagüez**  
Governmental Center  
50 Nenadich Street Office 102  
Telephone: **(787)265-5200**
- ☞ **Ponce**  
Eurobank Building  
1241 Hostos Ave. Office 102  
Telephone: **(787)844-8800**

### TECHNICAL ASSISTANCE

For additional information on the technical contents of this pamphlet or to clarify any doubts, please call **(787)721-2020** extension **3611** or **1-800-981-9236**.

<b>HACIENDA MAKING CONNECTION</b>
-----------------------------------

The Department of the Treasury has a site on the **INTERNET**. Here you can access information about the following services, among others:

- ✚ Electronic transfer for **all** Individual Tax Return
- ✚ System for the preparation online of the Individual Income Tax Return 2004
- ✚ Program for the preparation of the Withholding Statements and Informative Returns 2004
- ✚ Payments Online
- ✚ Income Tax Return of Taxable Corporations and Partnerships
- ✚ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)
- ✚ *Modelo SC 2800 - Planilla de Contribución sobre Caudal Relicto* (Spanish only)
- ✚ *Modelo SC 2800A - Planilla Corta de Contribución sobre Caudal Relicto* (Spanish only)
- ✚ *Modelo SC 2788 - Planilla de Contribución sobre Donaciones* (Spanish only)
- ✚ Informative Booklet to Provide Orientation about your Income Tax Return (Spanish and English)
- ✚ Informative Booklet to Provide Orientation on the Income Tax Responsibilities of Federal, Military and Other Employees
- ✚ Informative Booklet regarding the Withholding of Income Tax at Source in Case of Professional Services (Spanish and English)
- ✚ *Folleto Informativo Contribución sobre Ingresos de Sacerdotes o Ministros* (Spanish only)
- ✚ *Folleto Informativo para Aclarar sus Dudas sobre Aspectos Contributivos en la Venta de Ciertas Propiedades* (Spanish only)
- ✚ Employer's Quarterly Return of Income Tax Withheld (Spanish and English)
- ✚ Withholding of Income Tax at Source on Wages - Instructions to Employers (Spanish and English)

You can access at: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr). Also, you can let us know your opinion through our E-MAIL at: [InfoServ@hacienda.gobierno.pr](mailto:InfoServ@hacienda.gobierno.pr).

## TAXPAYER'S BILL OF RIGHTS

The Taxpayer's Bill of Rights grants the following rights under the Code:

To receive a proper, considerate and impartial treatment.

Confidentiality of the information submitted.

All interviews must be at a reasonable time and place for the taxpayer, in coordination with the employee of the Department of the Treasury (Department).

The interview or audit must not be used to harass or intimidate in any manner the person interviewed.

To receive an explanation of the process to which the taxpayer will be exposed and subject, and the rights that assist him.

Be assisted by an attorney, accountant, certified public accountant or any other authorized person, at any moment during the interview.

Be informed prior to the interview of the intention to tape the interview and to be able to obtain an exact copy of such recording prior to the payment of the cost thereof.

Be informed of the nature of your tax liability.

Be advised of your right against self-incrimination, to remain silent and that your silence should not be taken or commented against you, in case of a possible exposure to a criminal action.

Consult and be advised by an attorney, accountant, certified public accountant, or authorized agent to represent you within the Department, or to be able to finish the interview even when it had commenced.

Be notified in writing of any adjustment made by the Department as a result of a tax audit when it involves the addition of interest, penalties and surcharges, as provided by the Code, as well as the exact amount of the adjustment and the reasons for such changes.

Waive the rights described in the preceding paragraphs, if such waiver is made knowingly and voluntarily.

Grant a written power to authorize any person to represent you during a tax interview or process. Such person shall receive, for purposes of the interview, equal treatment as you, unless you are notified that such person is responsible for an unreasonable delay or interference with the audit.

Not to be discriminated because of race, color, sex, birth, origin or social condition, or political, religious ideas or association of any taxpayer or his representative. No records will be maintained containing tax information for these purposes.

The Department's employees will explain and protect your rights during all phases of the process. If you believe that your rights have been violated, you should discuss this matter with the supervisor of the employee. If you do not agree with the action taken by the supervisor, you may file a complaint with the Office for the Protection of Taxpayer's Rights.

### OFFICE FOR THE PROTECTION OF TAXPAYER'S RIGHTS

The Office for the Protection of Taxpayer's Rights (Ombudsman of the Taxpayer) was created to assure the compliance of the provisions of the Taxpayer's Bill of Rights. Said office is located at the Department of the Treasury in Old San Juan, Office 315. For assistance, please call (787)977-6622, (787)977-6638, or (787)721-2020, extensions 3303, 3304 and 3305.

The Ombudsman of the Taxpayer is responsible for attending to the problems and claims of the taxpayers and to facilitate the process between the taxpayers and the Department of the Treasury. Also, the Ombudsman of the Taxpayer has authority to prevent or correct any infringement by any employee of the Department of the rights of the taxpayer.

For additional information, you can request the booklet: "*Carta de Derechos del Contribuyente*".

## SUGGESTIONS TO AVOID MISTAKES WHEN FILING YOUR RETURN

1. ***Make sure to write your social security number on the return and schedules.***
2. Verify that your **social security number** is the one shown on the Withholding Statement.
3. Notify any change of address writing clearly and legible your new address in the space provided for this purpose in the heading of the return.
4. In the case of a married couple filing jointly, the return must be filed under the husband's name.
5. If you are **married filing separately**, you must include the name and social security number of your spouse. Also, **you must use Table B to compute your tax.**
6. Do not include estimated tax payments or tax paid in excess in prior years credited to estimated tax, in Part II of Schedule B Individual. You must inform them in Part III of said Schedule.
7. **Include evidence of the income tax withheld with your return (Forms 499R-2/W-2PR, 480.6B or others).**
8. **The contributions made to Qualified Plans** (Part 16, Withholding Statement) are excluded from salaries (Part 12). Therefore, the contributions cannot be considered again as a deduction.
9. If you claim ordinary and necessary expenses, make sure that you only claim the smaller of 3% of your salary, \$1,500 or the amount actually incurred.
10. If you claim automobile loan interest, make sure not to exceed \$1,200.
11. **Do not include your spouse as a dependent.** A married individual living with his spouse is not a head of household for tax purposes, therefore, he should not include the wife's name in the box for head of household.
12. **If a dependent entitles you the head of household filing status, do not claim an additional exemption for that dependent.**
13. Complete **Schedule A1 Individual** with all the information regarding your dependents and beneficiaries of Educational Contribution Accounts and send it with the return.
14. Sign your return with **ink** and in the case of a joint return, make sure that both spouses sign it.
15. Use the correct tax return form that applies to you: Short Form or Long Form.
16. Make sure to choose **the envelope with the applicable address** to send your return: **Envelope with Yellow Indicator for Returns with Refund; or White Envelope for Returns with Total Payment, Payment of the First Installment (Differed Payment), Payment through Electronic Transfer, Exempt Returns and Others.** Make sure to fill in the corresponding oval.

## INSTRUCTIONS TO COMPLETE THE LONG FORM RETURN

### NAME, ADDRESS AND SOCIAL SECURITY NUMBER

The mailing label located on the back of the instructions booklet should be placed on the upper section of page 1 of the return. Its purpose is to allow us to process promptly the return and avoid mistakes that could delay any notice from the Department.

If you did not receive the labeled return through the mail, print with ink or type the required information in the spaces provided.

**It is important that you write your social security number in the corresponding box of the return and schedules. This number is necessary to process your return.**

### ELECTRONIC ADDRESS (E-MAIL)

If you have electronic mail address, include it in the space provided for this purpose.

### CHANGE OF ADDRESS

If there was a change of address at the moment of filing the return, fill in completely the corresponding oval and write clearly and legible your new address. This allows us to keep our records up to date and send you any notice to the correct address.

### AMENDED RETURN

If after filing your original return, you find out that you omitted some income, did not claim certain deduction or credit, or claimed a deduction or credit for which you do not qualify, you must amend the return. Fill in completely the oval corresponding to **Amended Return**.

Such return must be filed within 4 years from the date the original return was filed.

### TAXPAYER DECEASED DURING THE TAXABLE YEAR

If a taxpayer dies during the taxable year, the administrator or representative must file an income tax return including the income derived until the date of death, on or before the 15th day of the fourth month following the date of death. Such return shall be signed by the administrator or representative. If the taxpayer was married and living with his/her spouse, two returns will be filed: one including both spouses' income from January 1st to the date of death, and another with the surviving spouse's income for the remaining months of the year.

The personal exemption in the first return will be married living with spouse. On the second one, the surviving spouse can claim the personal exemption he or she is entitled to at the end of the taxable year.

The administrator or representative must fill in completely the oval corresponding to **deceased during the year**, which is

located at the top right side of the return. Also, you must keep for your records copy of the Death Certificate.

### TAXPAYER MOVED TO PUERTO RICO DURING THE YEAR

If you were a resident of another country and changed your residence to Puerto Rico during the taxable year, you must inform the Government of Puerto Rico the income received from that moment until the end of your taxable year and the income from sources within Puerto Rico while not residing in Puerto Rico.

A taxpayer's residence is determined based upon the facts and circumstances of each case. Generally, an individual is considered a bona fide resident of Puerto Rico if he/she resides in Puerto Rico at least 183 days during the calendar year. However, if his/her intention regarding to his/her stay is merely temporary, his/her family is outside of Puerto Rico and meets other requirements, even when he/she had been in Puerto Rico 183 days or more, he/she may not be considered a bona fide resident of Puerto Rico.

The income from sources outside of Puerto Rico received by an individual attributable to the period when he/she was not a resident of Puerto Rico is not taxable in Puerto Rico. Deductions attributable to amounts so excluded from the gross income will not be allowed.

Nonresident individuals will be taxed in Puerto Rico only on their income from sources within Puerto Rico.

If the individual changes his/her residence from Puerto Rico to the United States or a foreign country, he/she will include on the Puerto Rico income tax return all the income earned until the date he/she changed his/her residence to the United States or a foreign country, independently of the source of said income. Also, he/she will include on his/her income tax return the income from sources within Puerto Rico earned after the change of residence.

## PART 1 - TAXPAYER'S INFORMATION

### QUESTIONNAIRE

Fill in completely the applicable oval to indicate if you are a United States citizen and if you were a resident of Puerto Rico at the end of the taxable year. Also, you must inform if you received tax exempt income during the year (Example: social security income). **You must keep for your records a schedule detailing it.** Indicate if you make child support payments through the Child Support Administration (ASUME).

## HIGHEST SOURCE OF INCOME

Fill in completely the applicable oval in accordance with your principal source of income.

## FILING STATUS AT THE END OF THE TAXABLE YEAR

Fill in completely the oval that indicates your filing status at the end of the taxable year:

- 1) **Married living with spouse** - This filing status is for those individuals that at the end of the year are legally married and living together with his or her spouse. If your spouse died during the year and you did not remarry in said year, you must file a return as married living with spouse up to the date of the death, and another as single or as head of household, from the date of the death up to the end of the year. **You must submit your spouse's name and social security number.**
- 2) **Married not living with spouse** - This filing status is for those individuals that at the end of the year are not legally separated from their spouses and do not qualify as head of household. **You must submit your spouse's name and social security number.**
- 3) **Head of household** - This filing status is for those individuals, not married, who really support and maintain in one household, one or more dependents closely related to them by blood, marriage or adoption. If you are not legally separated from your spouse, you can qualify as head of household subject to compliance with the requirements of the Code and its regulations.
- 4) **Single** - This filing status is for those individuals that have never been married, are legally separated by a divorce decree or those who are widows and have not remarried at the end of the taxable year.
- 5) **Married filing separately** - This filing status is for those individuals that at the end of the taxable year are legally married and living together, but elect to file separately. If you file under this status, you must include only your own income. Also, you must only claim half of certain deductions in your return, and the other half must be claimed by your spouse. **You must submit your spouse's name and social security number. You must use the tax table for married individuals living with spouse and filing separately (Table B of page 18).**

## OCCUPATION

Inform the nature of your and your spouse's occupation. In order to facilitate the description of the activity in which you are engaged, enter the code that better describes it using the Occupational Codes List provided on page 56.

## PART 2 - ADJUSTED GROSS INCOME

### CHILD INCOME (Section 1022(j))

All income received by a child for a service rendered must be included as part of his/her gross income and not in the gross income of the parents. The child will have the obligation to file a return if his/her gross income exceeds \$3,300 and will have the right to claim all the deductions provided by law that are applicable. On the other hand, passive income such as interest, dividends, donations, prizes and contests, among others, will not be included as part of the gross income of the child. Therefore, these income will be included on the parent's return.

If the child receives income from services rendered, and said gross income does not exceed \$1,600, the parents can claim him/her as a dependent. In case that the child is a regular student, said gross income should not exceed \$3,400.

### Line 1 - Wages, Commissions, Allowances and Tips

Enter on line 1, Column B, all the wages, commissions, allowances and tips subject to withholding in Puerto Rico received by you and your spouse during the taxable year. This information is found in Part 12 of the Withholding Statement (Form 499R-2/W-2PR). Enter on line 1, Column A, the Puerto Rico income tax withheld by each one of your employers shown in Part 14 of your Withholding Statement. If there is no tax withheld, enter zero.

Enter in the space provided in Part 2, line 1, the number of withholding statements included with your return.

Add the amounts of Column A and enter the total income tax withheld at the bottom of the column. Add the amounts in Column B and enter the total of wages, commissions, allowances and tips at the bottom of that column.

**Make sure to include with your return all the Withholding Statements (Form 499R-2/W-2PR), so that we can process it.**

### Line 1C - Federal Government Wages

Enter the total of Federal Government income from salaries and wages received, excluding the Cost of Living Allowance (COLA). To determine if you qualify for this exclusion, refer to RELEVANT FACTS - FEDERAL EMPLOYEES. Also, you can refer to the Informative Booklet to Provide Orientation on the Income Tax Responsibilities of Federal, Military and Other Employees.

**Submit with your return copy of Form W-2.**

### Line 2 - Other Income (or Losses)

Enter on lines 2A through 2R the total of each type of other income or deductible losses, and provide detailed information for each one of them on the applicable Schedules.

**Enter on line 2L the amount of income from alimony received. You must provide the Social Security number of the person making the payment.**

Use Schedule F Individual to inform income from interest, dividends from corporations and distributions from partnerships benefits, distributable share on profits from special partnerships and corporations of individuals, distributions and transfers from the Retirement Saving Accounts Program, income from prizes and contests, income from judicial or extrajudicial indemnification, miscellaneous income, and income from Major League baseball teams and the U.S. National Basketball Association, and distributions from Individual Retirement Accounts and Educational Contribution Accounts. Transfer the amounts from Schedule F Individual to Part 2, lines 2A, 2B and 2D through 2I of page 1 of your return. (See instructions for Schedule F Individual).

If you received dividends from investment in a Capital Investment or Tourism Fund, use Schedule Q1 to determine this income. This Schedule and its instructions are available at the Forms and Publications Division of the Department of the Treasury.

If you received income from an industry or business or from an activity for the production of income, use the applicable Schedule: (1) Schedule K Individual - to inform industry or business income; (2) Schedule L Individual - to inform farming income; (3) Schedule M Individual - to inform professions and commissions income; (4) Schedule N Individual - to inform rental income.

**If such activity does not constitute your principal source of income, transfer only the profits determined** on the Schedules to Part 2, lines 2M through 2P, page 1 of your return. **If you had losses, enter zero** on lines 2M through 2P.

If you had a net capital gain or loss, and/or lump-sum distributions from qualified pension plans, use Schedule D Individual to determine them and transfer to Part 2, line 2Q of the return.

If you had a long-term capital gain from Capital Investment Funds, use Schedule Q1 to determine this gain and transfer to Part 2, line 2R of the return.

## LOSSES

Losses incurred in activities that are not the taxpayer's or his spouse's principal business or industry, may be used to offset future income from the same activity that produced the loss.

However, if during the taxable year you dispose all the assets used in an activity that is not your or your spouse's principal business or industry, you may use the excess of expenses (losses) not claimed in previous years, as a deduction against any income derived in said disposition. Any excess will be considered as a capital loss subject to the \$1,000 limit. If there is any loss left, you may claim up to \$1,000 as a deduction in each one of the following five years. Such excess of expenses should be reflected on Schedule D Individual. (See instructions for Schedule D Individual).

Losses incurred in an industry or business that is the taxpayer's or his spouse's principal business or industry, may be used to offset your income from other sources, except salaries, wages and pension benefits.

To classify an economic activity as a principal industry or business, the following facts shall be considered:

- ☞ Time devoted to the activity.
- ☞ If the taxpayer is dedicated to the activity in a regular, continuous and substantial basis.
- ☞ Taxpayer's knowledge and experience with respect to the activity's operation.
- ☞ If such activity essentially constitutes the taxpayer's way of living.

However, the determination as to what constitutes the taxpayer's principal industry or business shall depend on the facts and circumstances present in each case. The taxpayer must show that a particular activity constitutes his/her principal industry or business. The fact that he/she does so with respect to a particular year, does not automatically qualify such activity as his/her principal industry or business for subsequent years. Thus, the taxpayer must be able to show that such activity constitutes his/her principal industry or business with respect to each taxable year.

**If you were a salaried employee and also engaged in any trade or business as your principal activity, and had a loss in that year, you may deduct said loss from your or your spouse's salaries and wages only in the first year in which you began the business and in the following two years. This is a once in a lifetime benefit.** Therefore, if you have benefited from the above, you cannot benefit again from the same allowance.

## Line 4 - Alimony Paid

Generally, you may claim as a deduction any periodic payment made for alimony under a divorce or separation decree, if you comply with the following requirements:

- 1) Payment is made in the name and for the benefit of the former spouse under a divorce or separation document.
- 2) Payment is not designated in such document as excludible from the recipient's gross income and not allowable as a deduction to the payer.
- 3) The payer and the former spouse are not members of the same household on the date of payment.
- 4) There is no obligation to continue making any payments after the death of the former spouse.
- 5) If the payment exceeds \$10,000 during any calendar year, it shall be payable during each one of at least 6 years following the divorce or separation.

**You must provide the social security number of the person who receives the payment and keep for your records copy of canceled checks and the divorce decree. Lump-sum payments or assets division, voluntary payments not included in a court decree or agreement for separation support, or child support payments, are not deductible.**

**PART 3 - DEDUCTIONS, PERSONAL EXEMPTION AND EXEMPTION FOR DEPENDENTS**

**Line 6 - Standard Deduction**

Enter the standard deduction to which you are entitled on this line. The standard deduction is an amount that the Code provides as an automatic deduction against your **ADJUSTED GROSS INCOME**. The standard deduction is available as an alternative to the itemized deductions.

The standard deduction to which you are entitled depends on the filing status oval that you filled in, in Part 1 of your return.

In case of married individuals filing separate returns, they may elect the standard deduction (\$1,575 by each one of them), only if both spouses elect the standard deduction. Otherwise, **if one of the spouses claim the itemized deductions and the other one does not itemize the deductions, the last one shall enter zero on this line**, because he/she won't have the right to the standard deduction provided by the Code.

**Line 7 - Total itemized deductions**

Itemized deductions are allowable in lieu of the standard deduction when they exceed the standard deduction. If you elect to itemize deductions, determine the amount of any itemized deduction to which you are entitled on Schedule A Individual, Part I and transfer the amount from line 17 to this line.

**Line 9 - Total additional deductions**

In addition to the standard deduction or the itemized deductions, the taxpayer is entitled to certain additional deductions depending on qualification. Determine the amount of additional deductions to which you are entitled on Schedule A Individual, Part II. Transfer the total amount of the additional deductions from Schedule A Individual, Part II, line 10 to this line.

**Line 10 – Telephone service payment for communication with military personnel in combat zone**

Enter the total telephone service payment up to a maximum of \$200, for the expense incurred in the telephone communication with your spouse, brother (sister), son (daughter), grandchild, parent or grandparent who is in active service as military personnel in combat zone.

In order to claim this deduction, including the military personnel, you must submit with the return your telephone calls registry, originated from your telephone number or originated from the telephone number where the military personnel is located and the same is charged to your telephone number.

When the call is originated in Puerto Rico from a telephone number other than the one corresponding to the person claiming this deduction, or in the absence of telephone service of your own, said person, along with the person in the name of which the telephone calls registry appears, must present a joint sworn declaration stating the payment of the telephone calls made by the person claiming the deduction and the receipt of such payment by the other person.

For purposes of this deduction, **military personnel** includes the members of the United States Armed Forces, as well as the members of the Puerto Rico National Guard who are activated during the period of the conflict and serve in the combat zone. On the other hand, **combat zone** means the area designated through Executive Order from the President of the United States as the area in which the United States Armed Forces will combat during the period of the conflict.

**Line 11 - Personal Exemption**

Enter on this line the personal exemption applicable to the filing status specified in Part 1.

**Line 12 - Exemption for Dependents**

Enter in the spaces provided in Part 3, lines 12A through 12C, the number of dependents according to their category:

Line	Category	Class
12A	(N)	No university
12B	(U)	University students
12C	(I)	Disabled, blind or age 65 or older

Multiply the amount of dependents claimed on each line by the total exemption indicated on the return and enter the result in the space provided. Add lines 12A, 12B and 12C and enter on line 12D.

The Code requires you to indicate on your return the social security number of any dependent claimed who is age one or older at the end of the taxable year. When filing your return, you must indicate on **Schedule A1 Individual**, the name, date of birth, relationship and social security number of each dependent claimed. **If you do not complete Schedule A1 Individual nor meet these requirements, the dependent will be rejected.** If the dependent does not have a social security number, you must request it at the nearest Social Security Office.

**The dependent who qualifies you for the head of household status cannot be included in the computation of the total exemption for dependents.**

For the **definition of dependent**, refer to instructions for **Schedule A1 Individual**.



**PART 4 - TAX COMPUTATION, CREDITS AND TAX WITHHELD OR PAID**
**Line 15 - Tax**

Once you have determined your net taxable income, you must compute your tax and fill in completely the corresponding oval to indicate the method used to determine the same:

Oval 1 - Tax as per tables

Oval 2 - Special tax on capital gains

Oval 3 - Tax to nonresident aliens

If you are a resident of Puerto Rico, you must compute your tax using Table A or B, whichever applies.

**Tax Tables**

Use the following Table A to compute your tax if you filled in Oval 1, 2, 3 or 4 in Part 1 (Personal status under which you are filing the return). **Use Table B for married individuals filing separately, that is, if you filled in Oval 5 in Part 1.** Determine your tax taking into account your Net Taxable Income (Part 3, line 14) and your personal filing status. Enter the total tax amount on this line and fill in Oval 1.

**TAX COMPUTATION TABLES**
**A. For married person living with spouse and filing jointly, married person not living with spouse, single person or head of household**

If the net taxable income (line 14) is:	The tax will be:
Not over \$2,000	7%
Over \$2,000 but not over \$17,000	\$140 plus 10% of the excess over \$2,000
Over \$17,000 but not over \$30,000	\$1,640 plus 15% of the excess over \$17,000
Over \$30,000 but not over \$50,000	\$3,590 plus 28% of the excess over \$30,000
Over \$50,000	\$9,190 plus 33% of the excess over \$50,000

**B. For married individual living with spouse and filing separately**

If the net taxable income (line 14) is:	The tax will be:
Not over \$1,000	7%
Over \$1,000 but not over \$8,500	\$70 plus 10% of the excess over \$1,000
Over \$8,500 but not over \$15,000	\$820 plus 15% of the excess over \$8,500
Over \$15,000 but not over \$25,000	\$1,795 plus 28% of the excess over \$15,000
Over \$25,000	\$4,595 plus 33% of the excess over \$25,000

**Special Tax on Long-term Capital Gains**

If you are a resident of Puerto Rico and derived long-term capital gains, you must complete Schedule D Individual. If your long-term capital gains exceed your short-term capital losses, and the tax on your net taxable income exceeds the 7% or 3.5% tax rate on the sale of shares from an eligible corporation or partnership; or the 10% or 5% tax rate for property located in Puerto Rico or over investment in a Tourism Development Fund or Capital Investment Fund; or the 20%, 10%, or 5% tax rate for other property, including lump-sum distributions from pension plans and variable annuity contracts. In these cases, you may complete Schedule D2 Individual (Special Tax on Net Long-Term Capital Gains).

If you used Schedule D2 Individual, transfer the tax amount on line 16 of said schedule to this line and fill in Oval 2. **Submit Schedule D2 Individual with your return.**

**Nonresident alien**

If you are a nonresident alien not engaged in trade or business within Puerto Rico, all of your income from sources within Puerto Rico are subject to a fixed tax rate of 29%. If you are a nonresident alien engaged in trade or business within Puerto Rico, all your income from sources within Puerto Rico as well as the income which is effectively connected with the operation of a trade or business in Puerto Rico, is subject to normal tax rates. Enter the tax determined on this line and fill in Oval 3.

**Line 16 - Gradual Adjustment Amount**

If the net taxable income is more than \$75,000 (\$37,500 if married filing separately), you must complete Schedule P Individual. Determine the gradual adjustment amount on said Schedule (See Instructions to Complete the Schedules). Enter the amount determined on Schedule P Individual, line 7. **Submit this Schedule with the return.**

**Line 17 - Excess of Alternate Basic Tax over Regular Tax**

If your adjusted gross income is \$75,000 or more (\$37,500, if married filing separately), you must complete Schedule O Individual. **To determine whether you are subject to the Alternate Basic Tax or not, complete and submit this Schedule (See Instructions to Complete the Schedules).** Enter the amount determined on Schedule O Individual, line 6.

**Line 21 - Tax on IRA or Educational Contribution Accounts distributions of income from sources within Puerto Rico**

Enter 17% of the IRA or Educational Contribution Accounts Distributions of income from sources within Puerto Rico received during the year. Submit Schedule F Individual. (See Instructions to complete the Schedules).

**Line 22 - Tax on IRA distributions to Government pensioners**

Enter the 10% of the IRA distributions to Government pensioners received during the year. Submit Schedule F Individual. (See instructions to complete the Schedules).

**Line 23 – Tax on IRA distributions under Section 1169A and on distributions and transfers from the Retirement Saving Accounts Program**

Enter the sum of taxes determined under Section 1169A (10% of IRA distributions received or which taxes were prepaid during the periods of August 1 through October 31, 2002 and July 1 through December 31, 2004) and the tax on distributions or transfers from the Retirement Saving Accounts Program (10% of the lump-sum distribution or transferred amount under Section 1169B). Submit Schedule F Individual. (See instructions to complete the schedules).

**Line 24 - Special tax on net income from Film or Infrastructure Projects, and from businesses with tax exemption decree under Act 135 of 1997**

Enter the income tax previously determined on Schedules K and/ or N Individual, whichever applies. (See instructions to complete the Schedules).

**Line 25 – Income tax from Major League Baseball teams and the National Basketball Association**

Enter the 20% of the income from Major League baseball teams and the U.S. National Basketball Association. Submit Schedule F Individual. (See instructions to complete the Schedules).

**Line 28 - Credit for salaried taxpayers**

Every taxpayer who is single, head of household, or married filing jointly, whose adjusted gross income does not exceed \$10,000 and whose **only source of income consists of salaries**, is entitled to claim a tax credit up to the amount of the determined income tax. For purposes of this credit the term salaries does not include the amounts received from annuities or pensions.

To determine if you qualify for this credit on the Long Form of the return, the term **adjusted gross income** means: gross income less the allowable deduction for ordinary and necessary expenses, losses (subject to the \$1,000 limitation) from the sale or exchange of capital assets, and payments from divorce or separation as provided by Section 1023(w) of the Code. In other words, the total of lines 1B and 1C of Part 2 of the return less line 5, Part II of Schedule A Individual (or line 8, Part I of Schedule I Individual), line 49, Part VII of Schedule D Individual, and line 4, Part 2 of the return can not exceed \$10,000.

Use the following worksheet to facilitate the determination of the adjusted gross income for purposes of this credit.

**WORKSHEET**

<b>Determination of the Adjusted Gross Income for purposes of this credit:</b>	
Line 1B, Part 2 of the return .....	_____
<b>Plus:</b> Line 1C, Part 2 of the return .....	_____ + _____
Total .....	\$ _____
<b>Less:</b> Line 5, Part II of Schedule A Individual .....	_____
Line 49, Part VII of Schedule D Individual .....	_____
Line 4, Part 2 of the return .....	_____
Total .....	( _____ )
<b>Adjusted Gross Income (Can not exceed \$10,000 to claim this credit) .....</b>	<b>\$ _____</b>

This credit must be claimed before any other credit that you are entitled to claim.

**Line 31 - Addition to the Tax for Failure to Pay Estimated Tax**

Enter the addition to the tax for failure to pay estimated tax and the penalty for substantial underestimate of estimated tax previously determined on Schedule T Individual. (See instructions to complete the Schedules).

**Line 33 - Amount of Tax Due**

Compare the sum of lines 30 and 31 with the amount on line 32D. If the sum of line 30 and 31 is larger than line 32D, there is a balance of tax due. Enter the difference on this line. If the amount on line 32D is larger than the sum of lines 30 and 31, you have a tax overpayment. Enter this difference plus the amount paid, if any, with the automatic extension of time to file the tax return (line 34), on line 38.



**Line 34 - Amount paid with automatic extension of time**

If for any reason you cannot file your return on time, you may request an automatic extension of time on or before the due date for filing the return. This will be done using **Form SC 2644**. (In case of military personnel activated in any warlike conflict, refer to RELEVANT FACTS).

**A taxpayer who is required to file an estimated tax declaration, must pay the total tax due with the request for an automatic extension of time.** If you are not required to file an estimated tax declaration, you must pay with your extension of time at least 50% of the balance of tax due.

**Line 35 - Balance of Tax Due**

If you are required to file an estimated tax declaration, you must pay the entire amount of tax due (line 33) not later than the date required to file your income tax return. **In this case, you are not entitled to pay the balance of tax due in two installments.**

If you are not required to file an estimated tax declaration, the following conditions prevail:

- ☞ If you made a payment with the request for an automatic extension of time and it was less than 50% of your amount of tax due (line 33), then you must pay with the return the balance of tax due (line 35), plus interest from the original due date in which the return should have been filed, to the date of payment.
- ☞ If you made a payment with the request for an automatic extension of time on or before the due date to file the return, and this payment was at least 50% or more of your amount of tax due (line 33), then you are entitled to the deferred tax payment. In this case, no payment has to be made when filing the return. The second installment is due not later than October 15, or, if filing on a fiscal year basis, not later than the 15th day of the 6th month after the due date to file the return.

**Line 36 - Amount paid**

You may pay your tax sending the payment with the return, through electronic transfer using Tax Returns Online or through other electronic transfers. If a payment is sent with the return or through Tax Returns Online, you must enter the amount on line 36(a). If you made a payment through other electronic transfers, like for example, the payment using the telephone, you must enter the amount on line 36(b). In this case, you must also indicate the transaction number provided by your banking institution. For additional information about payment of tax through electronic transfers, refer to RELEVANT FACTS.

A taxpayer who is not required to file an estimated tax declaration may elect to pay the balance of tax due in two installments. To be entitled to this benefit, you have to pay on or before the due date to file the return, at least 50% of the balance of tax due.

Make your check or money order payable to the Secretary of the Treasury. **Indicate your social security number and Form 482.0 - 2004 on the check or money order.**

If you decide to pay in cash, you can do it at any Internal Revenue Collections Office. Make sure to obtain an official receipt from the Collector at the time of payment.

**INTEREST, SURCHARGES AND PENALTIES****Interest**

The Code provides for the assessment of interest at a 10% annual rate over any tax balance that is not paid by its due date.

**Surcharges**

In case that imposition of interest is applicable, a surcharge of 5% of the amount due will be assessed, if the delay in paying exceeds 30 days, but not over 60 days; or 10% of the amount due, if the delay exceeds 60 days.

**Penalties**

The Code imposes a progressive penalty from 5% to 25% of the total tax for late filing unless you can show reasonable cause for the delay.

Any person required under the Code to file a return or declaration, and who voluntarily fails to file such return or declaration within the term or terms required by the Code or regulations, in addition to other penalties, shall be guilty of a misdemeanor and punished by a fine of not more than \$500 or imprisonment for a term of not more than 6 months, or both penalties, plus the costs of prosecution.

**If any person voluntarily fails to file the above mentioned return or declaration (within the terms required by the Code or regulations) with the intention to avoid or defeat any tax imposed by the Code, in addition to other penalties, shall be guilty of a felony and punished by a fine of not more than \$20,000 or imprisonment for a fixed term of 3 years. If there were aggravating circumstances, the established fixed jail penalty may be increased to a maximum of 5 years; if there were extenuating circumstances, it may be reduced to a maximum of 2 years, or both penalties, at the discretion of the Court, plus the costs of prosecution.**

**Line 37 - Balance of Tax Due**

This is the amount of tax that you owe and that you must pay on or before October 15, or, if you are filing on a fiscal year basis, on or before the 15th day of the 6th month after the due date to file the return.

**Remember that if you are required to file an estimated tax declaration, you must pay the total amount of tax due (line 33) not later than the date in which the tax return must be filed.**

### Line 38 - Amount Overpaid

**Before issuing a refund, any overpayment will be applied against any exigible tax liability imposed by the Code.**

If you are married and any of the spouses owes taxes, the overpayment will be credited against any exigible tax liability of either one.

If there are no previous year debts, you may elect to apply all or part of the tax paid in excess to your estimated tax for the taxable year 2005.

If you elect to do so, enter the amount that you want to credit to your estimated tax for the taxable year 2005 on line 38A. Enter the amount to be refunded to you on line 38B. You must keep for your records evidence of the estimated tax payments (copy of canceled or substitute checks, copy of money orders, etc.).

### PART 5 - AUTHORIZATION FOR THE DIRECT DEPOSIT OF THE REFUND

You can receive your refund faster and safely. The Department of the Treasury can deposit your refund directly to your checks or savings account. To authorize the Department of the Treasury to deposit your refund directly to your account, you must complete this part.

**Type of Account** - Indicate if the deposit will be made to your checks or savings account.

**Route/Transit Number** - Enter the route/transit number of your account. This information is on the check. In the case of savings account, you must call the financial institution to obtain the route/transit number. **Do not leave blank spaces. Do not use hyphens or other symbols.**

**Account Number** - Enter the checks or savings account number. **Do not use hyphens or other symbols.** Neither fill out blank spaces with zeros. The account number may have less numbers than the spaces provided for this purpose in this box.

**Account in the name of** - Enter your name, as it appears on your account. In case of married filing jointly, **the account must be in the name of both spouses.**

For additional information, refer to the RELEVANT FACTS - DIRECT DEPOSIT OF THE REFUND.

### SIGNATURE OF THE RETURN

**The return will not be considered filed unless it is signed with ink and all necessary documents and information are submitted. In the case of married individuals filing jointly, both spouses must sign the return.**

### PAYMENT FOR THE PREPARATION OF THE RETURN

**If a payment is made for the preparation of the tax return, make sure that the specialist signs the return and includes his/her specialist registration and employer's identification number. The Code imposes civil and criminal sanctions to those income tax return specialists that fail to submit this information.**

The specialist must declare under penalty of perjury that he/she examined the return, and to the best of his/her knowledge and belief the return is correct and complete.

If the return is prepared by an accounting firm duly registered as a specialist, it must include the firm's employer's identification number, registration number and be signed by the authorized person.

## INSTRUCTIONS TO COMPLETE THE SCHEDULES

### SCHEDULE A INDIVIDUAL - ITEMIZED AND ADDITIONAL DEDUCTIONS

Use this Schedule to determine the itemized and additional deductions. **Remember not to submit evidence of the same with the return. However, you must keep the evidences of these deductions for your records**, in case that they may be required eventually by the Department.

#### PART I - ITEMIZED DEDUCTIONS

**Line 1** - Enter the amount of home mortgage interest paid to acquire, refinance, improve or construct a property that constitutes a qualified residence. **You must keep for your records the Informative Return - Mortgage Interest (Form 480.7A) provided by the financial institution.**

**Qualified residence** means:

- 1) the principal residence of the taxpayer;
- 2) a second residence located in Puerto Rico and used by the taxpayer, or by any other person that has an interest in that property or by any member of his/her family, as a residence for a number of days that exceeds the larger of:
  - a) 14 days, or
  - b) 10% of the number of days during the taxable year in which the property has been rented at the prevailing rental market value.

Interest payments attributable to any portion of the mortgage debt in excess of the residence fair market value are not deductible.

A participant partner of a housing cooperative association may deduct payments representing home mortgage interest.

If you use a personal loan to acquire, construct or improve a qualified residence, which is not accepted by a mortgage institution as a mortgage guarantee or equity, you must keep for your records a copy of the property tax exemption application or of the appraised revision of the property.

**Also, loan origination fees (Points) paid directly by the borrower and loan discounts (Points) paid directly by the borrower, will be admitted as home mortgage interest deduction for the year in which they were incurred**, as long as the following requirements are met:

- 1) they are described on the Informative Return - Mortgage Interest (Form 480.7A),
- 2) they are paid to acquire your principal residence,

3) they are paid by the taxpayer; if they are financed through the mortgage loan, they will be deductible throughout the term of the loan, and

4) keep for your records a copy of the canceled or substitute check.

The loan origination fees and loan discounts financed through a home mortgage loan will be deductible throughout the term of the loan. The deduction that you may claim will be the apportioned amount paid during the term of the loan.

In case of married couples filing separately who own only one residence, one of the spouses has the sole right to claim such deduction. If the married couple has two residences, one spouse may claim the interest of the principal residence and the other spouse may claim the interest of the second residence. However, one of the spouses may claim all the home mortgage interest for both residences, if both spouses agree that in writing. On the other hand, in case that the residence had been acquired by both spouses individually, each spouse may claim the interest attributable to his/her joint share in said residence, as stated in the sale deed.

**Enter in the spaces provided on line 1, the name and employer's identification number of the banking or financial institution to which the payments were made, the loan number and the total amount of home mortgage interest paid.**

**Line 2** - Enter the amount paid for motor vehicle license plates paid during the taxable year for automobiles used for personal purposes. Do not include any amount paid to ACAA, or amounts paid for compulsory insurance or fines.

**Line 3** - Enter the amount paid to a person who is not a dependent of the taxpayer, for child care expenses incurred up to the amount of \$1,200 for one child (\$600 if married filing separately), or \$2,400 for two or more children (\$1,200 if married filing separately). In order to claim this deduction, you must comply with the following requirements:

- 1) The dependent with respect to which this deduction is claimed cannot be over age 14.
- 2) The expense is incurred to enable the taxpayer to be employed or engaged in a profitable activity.

In the case of a married taxpayer living with spouse at the end of the taxable year, both spouses must be employed or otherwise engaged in a profitable activity. If one of the spouses is disabled, you are entitled to this deduction, but you must keep for your records a medical certificate indicating the disability.

If you are a divorced parent, the deduction is allowed only if the dependent is under your custody.

Deductible child care expenses are those made primarily to assure the safety and well being of the dependent while the taxpayer is working. Amounts paid solely to provide benefits such as food, clothing, education, medicines and physicians are not deductible as child care expenses.

If the taxpayer paid a person to take care of the child and also to perform housework, only the part of the payment attributable to the child care will be allowed as a deduction.

When the child receives other benefits besides care, which are inseparable one from the other, the total expense will be considered as child care expense.

**Taxpayers who claim this deduction must keep for their records copy of canceled or substitute checks, or receipts indicating the name, address and social security number of the person to whom the payment was made.**

**Line 4** – Enter the amount paid to a person who is not a dependent of the taxpayer, for the expenses incurred in the care of elderly persons up to the amount of \$600 for one elderly person (\$300 if married filing separately), or \$1,200 for two or more elderly persons (\$600 if married filing separately). In order to claim this deduction, you must comply with the following requirements:

1. The person for which the deduction is claimed must be a dependent of the taxpayer.
2. The person with respect to which this deduction is claimed must have reached the age of 60, within the taxable year in which the deduction is claimed for the first time.
3. The deduction will be granted only if the expense is incurred to enable the taxpayer to be employed or engaged in a profitable activity. In case of a married taxpayer living with spouse at the end of the taxable year, both spouses must be employed or engaged in a profitable activity.
4. The expenses will be those made primarily to assure the well being, safety and protection of the elderly person.
5. If the taxpayer paid a person to perform housework and also to take care of the elderly person, only the part of the payment attributable to the elderly person's care will be allowed as a deduction.
6. The care service to the elderly person must be realized in his/her home or in the home of the taxpayer who has the right to claim this deduction. This deduction will not be available if such care is realized in long term institutions as defined by Act No. 94 of July 22, 1977.

Taxpayers who claim this deduction must keep for their records copy of canceled or substitute checks, or receipts indicating the name, address and social security number of the person to whom the payment was made.

**Line 5** - Enter 10% of the total rent paid during the year, but not more than \$500 per year (\$250 if married filing separately). To be entitled to this deduction, the leased property must be your principal residence. Enter also the landlord's social security number.

**You must keep for your records crediting receipts of total rent paid and a schedule indicating the address or location of the property and social security number of the person to whom the payment was made.**

**Line 6** - Enter the amount of property taxes paid on the property owned by you that constitutes your principal residence. This deduction is allowable to a participant partner of a housing cooperative association.

If part of the property is used for purposes other than for principal residence, you may deduct only the portion of the tax paid attributable to the part used as your principal residence.

**You must keep for your records Form 480.7A, copy of canceled or substitute checks, or receipts as evidence for the payment of this tax.**

**Line 7** - Enter **losses of real property used as your principal residence** incurred during the taxable year, not compensated by insurance or in any other form. Such losses must be **caused by hurricane, earthquake, storm, tropical depression, floods, fire or other casualties.**

You must keep for your records a certification stating the amount of the loss and the type of damage. **Also, a certification from the Civil Defense or Fire Department if the loss was from fire, and any other documents, public deeds or appraisals which reflect the value of the property subject to the loss.**

If after claiming the deduction, you receive any compensation from an insurance company or from a local or federal agency, you must include on the return the total amount received as part of your gross income.

In the case of married persons filing separate returns, each spouse may claim 50% of this deduction.

**Line 8** - Enter 50% of the total medical expenses paid not compensated by insurance or in any other form, that exceeds 3% of your adjusted gross income.

**Medical expenses are:**

- 1) professional services rendered by physicians, dentists, radiologists, clinical pathologists, surgeons, nurses or hospitals, within or outside Puerto Rico, and
- 2) health or accident insurance premiums.

Payments for medicines are not deductible expenses. However, when the medicines are part of hospitalization expenses, they may be deducted as medical expenses.

To claim the medical expense deduction, **follow the instructions of Schedule J Individual and submit the same with your return.** Transfer to this line the amount from Schedule J Individual, line 4.

**You must keep for your records copy of canceled or substitute checks, or receipts evidencing the payments made.**

**Line 9** - You may deduct, subject to certain limitations, contributions or donations paid during the taxable year to religious, charitable, scientific, literary, educational or museological organizations, or to organizations for the prevention of cruelty to children or animals, or to organizations of war veterans in the United States or Puerto Rico. However, no part of the net earnings of any organization to which you contributed, may benefit any private shareholder or individual.

You may also deduct contributions or donations paid to:

- ☞ the Commonwealth of Puerto Rico, the United States Government, or any of its states, territories or possessions, or any political subdivision thereof, or the District of Columbia, when the contributions or donations are used exclusively for public purposes;
- ☞ the special fund for vocational rehabilitation authorized by the Vocational Rehabilitation Act;
- ☞ a domestic fraternal association or partnership operating as a lodge, but only if the contributions are to be used exclusively for religious, charitable, literary or educational purposes, or for the prevention of cruelty to children or animals;
- ☞ the Educational Foundation for the Free Selection of Schools to provide economic assistance for students of elementary and secondary level of public or private educational institutions in Puerto Rico, but only if the total amount of the contribution or donation exceeds the Tax Credit for Contributions to the Educational Foundation for Free Selection of Schools allowed against the income tax;
- ☞ the depository of Files and Relics of Former Governors and First Ladies of Puerto Rico.

The allowable deduction is the total amount of contributions or donations in excess of 3% of your adjusted gross income, or 33% of the contributions or donations paid during the taxable year, whichever is larger. However, the deduction allowed shall not exceed 15% of your adjusted gross income, except for the additional deduction up to 15% of your adjusted gross income for contributions or donations paid to accredited educational institutions at university level established in Puerto Rico, to the José Jaime Pierluisi Foundation, to the National Fund for the Financing of Cultural Affairs of Puerto Rico, to the Puerto Rico Communitarian Foundation, for contributions of conservation easements to government agencies or non profit organizations (**only if you do not claim a tax credit for this concept** and subject to the requirements provided by the

Puerto Rico Conservation Easement Act), as well as for contributions to museological institutions, private or public, that consist of art work properly appraised or of any other objects of recognized museological value. The donations or contributions in excess of the limit allowed may be carried over to the five subsequent taxable years subject to the limitations previously indicated.

It is important to point out that in order to claim the additional deduction of up to 15% of the adjusted gross income, in case of contributions to private museological institutions, they have to be conditioned in terms that any type of future negotiation with the work or donated object is forbidden, and that in case of the dissolution of the private museological institution, the title of the art work or museological value objects donated will be transferred to the Commonwealth of Puerto Rico and will become part of the National Collection of the Institute of Puerto Rican Culture.

You may claim an unlimited deduction for charitable and other contributions, if the amount of qualified contributions or donations plus the total amount of income taxes paid during the taxable year and in each of the 10 preceding taxable years, exceed 90% of your net income for each one of those years, determined without the benefit of the contributions or donations.

**Net income** is the adjusted gross income less the standard deduction and additional deductions, or less the itemized deductions and the additional deductions.

The contributions made to a municipality that conducts an activity or event of cultural or historic value, as certified by the Institute of Puerto Rican Culture or the Cultural Center of each municipality, or that makes possible the realization of any cultural or historic work, may be claimed as charitable contributions. The contributed amount shall be \$50,000 or more, and must be made in connection with the celebration of the centennial foundation of the municipality. The total of said contributions are not subject to the aforementioned limitations.

To claim the donations, **follow the instructions on Schedule J Individual and submit it with your return.** Transfer to this line the amount from Schedule J Individual, line 11.

**You must keep for your records copy of canceled or substitute checks, receipts or certifications as evidence of the payment made.**

**Line 10** - Enter **losses** of automobiles, furniture, fixtures and other household goods (excluding the value of jewelry and cash), not compensated by insurance or in any other form, occurred during the taxable year **due to** earthquakes, **hurricanes**, storms, tropical depressions and floods. The deduction is limited to \$5,000 (\$2,500 if married filing separately) for the year in which the loss was incurred.

The amount of said \$5,000 not claimed in the year in which the loss occurred may be carried over to the following two taxable years as a loss of personal property due to casualties. **In order to be entitled to this deduction, the affected area must be declared as disaster area by the Governor of**

**Puerto Rico, and you must have claimed, within the appropriate dates and places, the applicable benefits from the assistance programs approved for disaster cases.**

**You must keep for your records copy of the approved claim filed stating the damages suffered.**

**Line 11** - Enter 50% up to \$3,000 (\$1,500 if married filing separately) of the expenses incurred for the acquisition and installation in your residence of a windmill with all its accessories used to generate electric power. To claim this deduction, the windmill must have been manufactured in Puerto Rico, or at least 50% of the added manufacturing cost must have been done locally. **A taxpayer will be allowed to claim only one deduction for this purpose.**

**You must keep for your records the invoice or receipt indicating the information regarding the cost and installation expense, a copy of the installation permit or authorization from the Puerto Rico Regulations and Permits Administration, copy of the certification issued to the manufacturer or distributor by the Energy Affairs Administration of the Department of Natural and Environmental Resources, as well as a guarantee certification for 5 years or more.**

**Line 12** - Enter the expenses incurred and not compensated by insurance or otherwise for the acquisition of any technological assistance equipment for handicapped persons, specialized treatment or chronic disease. The amount is limited to \$1,250 (\$625 if married filing separately) per handicapped person. This deduction may be claimed by the handicapped person, or a parent, tutor or guardian of a handicapped person.

No deduction shall be granted with respect to any technological assistance equipment over which a deduction has been claimed in any previous year.

**You must keep for your records the invoice or receipt indicating the cost of the equipment and a medical certificate stating that said equipment is necessary for the patient's condition.**

**Line 13** - A deduction is allowed, subject to certain limitations, for expenses incurred during the taxable year regarding the dependent's educational expenses at elementary and secondary school level. Such expenses include school tuition and registration, school transportation and text books.

This deduction is limited to \$300 (\$150 if married filing separately) **for each dependent who is studying at an elementary school level, that is, from Pre-Kinder to sixth grade, or \$400 (\$200 if married filing separately) for each dependent in a secondary level up to twelfth grade, or the amount actually paid, whichever is smaller.**

In order to qualify for this deduction, the dependents must be studying in public or private educational institutions operating under a license granted by the Puerto Rico General Council of Education.

If for the taxable year the dependent qualifies as university student for purposes of the exemption for dependents, this deduction will not be allowed with respect to that dependent.

The deductible expenses allowed for text books are those incurred for the purpose of providing the dependent a secular education, excluding any books or printed material of a sectarian nature.

For purposes of this deduction, **the term dependent means** a person under 21 years of age at the close of the taxpayer's taxable year, and who, for the calendar year in which the taxpayer's taxable year began, received from the taxpayer more than half of his/her support.

**You must keep for your records copy of canceled or substitute checks, or invoices indicating the expenses incurred, and a certification from the public or private school where the dependent is enrolled. It must include the dependent's name as well as his/her school grade at the end of the taxable year.**

**Line 14** - Enter 30% of the expenses incurred during the taxable year for the purchase, manufacture and installation of solar equipment in your principal residence, whether owned or leased, up to an amount of \$500 (\$250 if married filing separately). When the equipment is being installed by the lessee, the owner of the real estate is not entitled to any deduction with respect to the same equipment, even when the equipment will remain for the benefit of the owner at the end of the lease contract.

**Solar equipment** means all equipment which can convert solar energy into usable energy, whether in a direct or indirect form. This equipment may be purchased or manufactured by the taxpayer, and it must be in working condition.

**You must keep on your records copy of the receipts or invoices stating the cost of the solar equipment or its parts, and the expenses incurred in its manufacture or installation, copy of a certification issued to the manufacturer or distributor by the Energy Affairs Administration of the Department of Natural and Environmental Resources, as well as a guarantee certification for 5 years or more.**

**A taxpayer will be allowed to claim only one deduction for this purpose.**

**Line 15** - Enter the amount of interest paid or accrued during the taxable year over debts incurred for student loans **to cover expenses of the taxpayer** for registration, tuition and textbooks at university level, as well as expenses for transportation, meals and lodging in those cases in which the taxpayer had to live outside his/her home in order to pursue such studies.

**In the spaces provided on this line, enter the name and the employer's identification number of the financial institution, the loan number and the total interest paid.**

**You must keep for your records a certification from the bank or financial institution as evidence of the deduction claimed.**

**Line 16** - Enter contributions made in cash during the year to the Fund for Services Against Remediabile Catastrophic Diseases (previously known as the Emergency Medical Treatment Fund for Indigent Patients) up to \$100 per taxable year.

**You must keep for your records invoices or certifications as evidence of the deduction claimed.**

## PART II - ADDITIONAL DEDUCTIONS

The following additional deductions will be allowed against the gross income in addition to the standard deduction or the itemized deductions.

**Line 1** - Enter all contributions made to a qualified Individual Retirement Account (IRA). **The maximum deduction for an individual is \$5,000** or the adjusted gross income from salaries or the earnings attributable to professions or business, whichever is smaller.

In order to claim this deduction, the IRA must be in a trust created or organized under the laws of the Commonwealth of Puerto Rico.

In the case of married taxpayers filing a joint return, this deduction cannot exceed \$10,000 or the aggregated adjusted gross income from salaries or the earnings attributable to professions or business, whichever is smaller. However, the deduction for each spouse cannot exceed \$5,000.

No deduction is allowed for the taxable year in which the individual has reached 75 years of age on or prior to the end of the taxable year. **Also, no deduction will be allowed if the income received during the year is from pension or annuity.**

The taxpayer will have until the due date established by the Code to file the return, or until the due date of any extension of time granted by the Secretary to file the return to make a contribution to his/her IRA.

**In the spaces provided on this line, enter the name and employer's identification number of the financial institution, the account number and the total contributions made.**

**You must keep for your records the Informative Return - Individual Retirement Account (Form 480.7) provided by the bank or institution in which you opened the account.**

**Line 2** - Enter all cash contributions made during the year to a pension or retirement system, other than Social Security, established by the Congress of the United States, the Legislative Assembly of Puerto Rico, the municipalities, agencies, instrumentalities and public corporations of Puerto Rico.

This contribution must be informed on the Withholding Statement (Form 499R-2/W-2PR) or on Form W-2, if you are a federal employee.

**Line 3 - Enter \$3,000 if the taxpayer is married living with spouse and filing jointly, and both spouses receive earned income. If your filing status is married filing separately, you are not entitled to claim this deduction.**

The term **earned income** includes salaries, wages, earnings, professional fees and other amounts received as compensation for personal services actually rendered. The amount received from annuities or pensions is not considered earned income.

**Line 4** - Enter **\$500** if you are resident of Puerto Rico and a veteran of the United States Armed Forces.

**Keep for your records copy of Form DD- 214 (Discharge from U.S. Armed Forces).**

**Line 5** - Enter the amount determined on Schedule I Individual, Part I, line 8. This deduction is limited to the smaller of the amount paid up to \$1,500 or 3% of the salary. You must submit Schedule I Individual.

**Line 6** - Enter the interest paid or accrued on a loan for the acquisition of an automobile which is guaranteed by it. Also include, in the space provided, the name of the financial institution, the loan number and the employer's identification number of the institution granting the loan. **The deduction shall be allowed for only one vehicle and will not exceed \$1,200 (\$600 if married filing separately), unless both spouses consent that one of them claims this deduction in full.**

**You must keep for your records a certification from the bank or financial institution as evidence of the deduction claimed.**

**Line 7** - Enter the amount of **\$1,000** if you are a young person who work and your age ranges between 16 and 25 at any moment of the taxable year.

**Line 8** - Enter the cash contributions to an educational contribution account for the exclusive benefit of a child or relative up to third degree of blood relationship or second degree by affinity. The maximum amount **can not exceed \$500 for each beneficiary.**

The account must be established by the individual who has the custody and the rights an obligations conferred by law of the beneficiary for whom the account was established. There is no limitation in the number of educational contribution accounts to which each individual can contribute, as long as such beneficiary is eligible. Under no circumstances, the total contributions to said accounts for each beneficiary in excess of \$500 will be allowed.

This deduction will not be allowed for a taxable year in which the beneficiary has reached the age of 26 before the closing of such taxable year.

The taxpayer will have until the due date established by the Code to file the return, or until the due date of any extension of time granted by the Secretary to file the return, in order to make a contribution to this account.

Transfer to this line the total of Schedule A1 Individual, Part II, line (10).

**You must keep for your records the certification issued by the institution which receives the contributions.**

**Line 9** - Enter the amount up to a maximum of \$500 for the expenses incurred in the acquisition and installation of a personal computer in your residence to be used by your dependents.

For purposes of this deduction, a dependent is a person who at the end of the taxable year has not reached the age of 21 and who receives more than half of the support from the taxpayer.

**You must keep for your records evidence of the payment for the acquisition and installation of this equipment. A taxpayer can claim only one deduction for this purpose.**

#### SCHEDULE A1 INDIVIDUAL - DEPENDENTS AND BENEFICIARIES OF EDUCATIONAL CONTRIBUTION ACCOUNTS

In order to process the information submitted of your dependents, consider the exemption for dependents and claim the deduction for contributions to an Educational Contribution Account, you must complete this Schedule and include it with your return.

#### PART I - DEPENDENTS INFORMATION

The term **head of household** means an individual who actually supports and maintains in one household one or more dependents closely related with him/her by blood, marriage or adoption, over whom he/she exercises family control, and whose duty to provide for such dependents is based upon moral or legal obligation. The relationship by marriage shall not be considered terminated because of the divorce or death of the spouse.

If you claim the filing status of head of household in Part 1 of the return, indicate in the space **Head of Household** of Part I of this Schedule, the name, relationship, date of birth, and social security number of the dependent who entitles you to claim such status.

The term **dependent** means:

- 1) a person who at the close of the calendar year in which the taxpayer's taxable year begins **has not reached the age of 21**;
- 2) the taxpayer's father or mother;
- 3) a person who is **age 65 or older**;

- 4) a person who has reached the age of 21 or older and is blind or incapable of self-support because of being mentally or physically disabled;
- 5) an university student who at the close of the calendar year in which the taxpayer's taxable year begins **has not reached the age of 26**, as long as he/she has completed as a regular student, at least one semester in an **university or technical - professional institution recognized as such by the educational authorities of Puerto Rico, or of the applicable country, until he/she receives his/her degree.**

Notwithstanding the above, to be entitled to claim a dependent, you must comply with the following requirements:

- 1) the person claiming the dependent must provide more than half of the support for the dependent during the calendar year in which the taxpayer's taxable year began;
- 2) the dependent's gross income for the calendar year in which the taxpayer's taxable year began is less than the amount allowed as a credit for this concept. Nevertheless, if the dependent is your son/daughter and also a regular student, he/she may earn a gross income of up to **\$3,400**, and you still have the right to claim him/her as a dependent.

In the case of children from divorced or separated parents to whom both parents provide more than half of their support, the exemption for dependents will be claimed by the parent who has the legal custody of the children. However, the parent who has the legal custody may release his/her right to claim the exemption in favor of the parent who does not have that custody. The release should be made using **Schedule CH Individual - Release of Claim to Exemption for Child (Children) of Divorced or Separated Parents**. The parent to whom the right to claim the exemption was released must submit Schedule CH Individual with the return (See instructions of Schedule CH Individual).

**An individual required to file a joint return with his/her spouse does not qualify as a dependent.**

**The dependent who qualifies you for the head of household filing status cannot be included in the computation of the total exemption for dependents.**

**Nonresident aliens of Puerto Rico do not qualify as dependents.**

If the dependent is totally or partially blind, keep for your records a certificate from an ophthalmologist or optometrist indicating the visual condition of the dependent.

If you claimed the exemption for dependents who are university students, or who are disabled, blind or age 65 or older, you must keep for your records the evidence to claim the exemption for those dependents.

In the space provided, **write the complete name, relationship, date of birth, and social security number** of all dependents who are age one or older for whom you claim an exemption on your return. **Also, classify the dependent in one of the following categories:**

Category	Class
(N)	Non university
(U)	University students
(I)	Disabled, blind or age 65 or older

If you do not comply with these requirements, the exemption will be rejected.

## PART II - BENEFICIARIES OF EDUCATIONAL CONTRIBUTION ACCOUNTS

In the space provided, **write the complete name, relationship, date of birth, and social security number** of the beneficiaries for whom you made contributions to an Educational Contribution Account. **You must also include the amount of said contributions.**

**For additional information regarding who qualifies for this deduction and its limitations, refer to the instructions of Schedule A Individual, Part II, line 8.**

### SCHEDULE B INDIVIDUAL - RECAPTURE OF CREDIT CLAIMED IN EXCESS, TAX CREDITS AND OTHER PAYMENTS AND WITHHOLDINGS

Use this schedule to determine the recapture of investment credit and for the donation of a conservation easement claimed in excess, tax credits, and other payments and withholdings.

#### PART I - RECAPTURE OF INVESTMENT CREDIT AND CONSERVATION EASEMENT CLAIMED IN EXCESS

You must indicate in Columns A, B and C the name and employer's identification number of the entity to which the investment credit or for the donation of a conservation easement claimed in excess belongs. Also, you must fill in completely the oval that identifies the act under which the investment or donation was made.

Enter the credit claimed in excess in previous years as a result of the intervention of the Secretary or Director of the Agency or Department, or the Board who regulates each of the following acts: Puerto Rico Tourism Development Act (Act No. 78 of September 10, 1993, as amended), Solid Waste Authority Act (Act No. 70 of June 23, 1978, as amended), Agricultural Incentives Act (Act No. 225 of December 1, 1995, as amended), Capital Investment Fund Act (Act No. 3 of October 6, 1987, as amended), Act for the Creation of the Theatrical District of Santurce (Act No. 178 of August 18, 2000), Act for the Development of the Film Industry (Act No. 362 of December

24, 1999), Act for Tax Credits from Investment in Housing Infrastructure (Act No. 98 of August 10, 2001), Act for Tax Credits for Investment in the Construction or Rehabilitation of Rental Housing Projects for Low or Moderate Income Families (Act No. 140 of October 4, 2001), Act for Credit to Investors in an exempt business that is in the process of closing its operations in Puerto Rico (Act No. 109 of August 17, 2001) and Conservation Easement Act (Act No. 183 of December 27, 2001, as amended).

The total investment carried out by the exempt business in the project is subject to the revision of the Secretary or Director of each Agency or Department, or the Special Work Board (Board) in case of the Theatrical District of Santurce. If the investment credit claimed by the investors exceeds the investment credit computed by the Secretary, the Director or the Board, this excess shall be due as income tax. This debt must be paid by the investors in one installment, and in other cases in two installments beginning with the first taxable year following the date in which the unfulfillment or revocation of the credits is determined or any other date provided by law. The Director, the Secretaries or the Board will notify the Secretary of the Treasury the excess of credit claimed by the investors.

**The provisions of the recapture of credit mentioned before will not apply to the participants or investors that are not developers in a project under the Puerto Rico Tourism Development Act and the Puerto Rico Solid Waste Authority Act.**

**On the other hand, the provisions of the recapture of the credit under the Agricultural Tax Incentives Act will apply to the investors or participants in agricultural businesses.**

In the case of condohotels, the operator of the integrated rental program shall send an annual report to the Director and the Secretary of the Treasury identifying the units participating in the integrated rental program. Such report must indicate the aforesaid program beginning dates with respect to the participating units, as well as the date or dates in which one or more units were withdrawn from the program.

In case of Act No. 178 of 2000 (theatrical business), Act 140 of 2001 (rental housing), and Act No. 109 of 2001 (business closing operations), if any unit or business is withdrawn from the program, cease its operations or do not comply with any of the requirements provided by the corresponding law before the expiration of the 10 year period or other period provided by law, the investor will owe as income tax an amount to be computed as provided by law or as follows, as applicable:

$$\text{Income tax owed} = \text{Total investment credit claimed per unit or business} \times \frac{\text{Balance of the 10 year period}}{10}$$

In case of owners of a levied property or donors of a conservation easement in case of an eligible land, they shall be subject to the recapture of the tax credits granted, in the event that the obligations included in the constitution deed of the conservation

easement or donation of an eligible land are not fulfilled, as applicable, but only in those cases in which it is impossible to return the land to its original condition, and said unfulfillment occurs within the 10 years of having constituted the conservation easement. These dispositions will also apply when the redemption of the easement is stipulated, within the 10 years of having constituted the conservation easement, by the owners and the titular of the easement.

The income tax amount owed must be paid in one or two installments, whichever applies, beginning with the first taxable year following the date of the withdrawal of the unit, the first taxable year following the cease of operations or any other date provided by law.

**Line 1** - Enter the total excess of credit notified by the Director, the Secretary or the Board, or in the case of condohotels, theatrical business, business closing operations or rental housing projects for low income families, the total of income tax debt according to the formula previously mentioned or as established by law.

**Line 3** - Multiply line 1 by 50% and enter the result here. Transfer the result to Part 4, line 27 of the return. In case that you had paid part of the recapture of excess of credit in the previous year, enter the difference owed.

**Line 4** - If this is the first year in which you claim the recapture, subtract line 3 from line 1 and enter the difference. This will be the tax debt to be paid for next year. If this is your second year of recapture, subtract lines 2 and 3 from line 1.

## PART II - TAX CREDITS

**Line 2** - Enter the tax withheld on dividends from Industrial Development income under Act 8 of January 24, 1987 and/or 30% of your proportional share in the fixed tax rate on Industrial Development income paid by the exempt business under Act 135 of December 2, 1997.

You must fill in completely the oval that identifies the act or acts under which the investment was made.

**Line 3** - Enter the amount of the credit to be claimed for the investment in a Film Entity engaged in a Film Project and/or Infrastructure Project under Act No. 362 of December 24, 1999.

In the case of an investment in a Film Entity engaged in a Film Project, the credit will be 40% of those amounts of the budget paid to residents of Puerto Rico, but this amount cannot exceed 50% of the capital contributed in cash to the Film Entity in exchange of stocks or shares issued in a primary issuance.

In the case of an investment in a Film Entity engaged in an Infrastructure Project, the credit will be the smaller between: 40% of the investment contributed in cash to the Film Entity in exchange of stocks or shares issued in a primary issuance or 20% of the Infrastructure Project's budget.

All tax credit not used in the taxable year can be carried over to following years until it is completely used.

To claim said credits you must submit the following evidence:

- 1) the License of the Film Entity where you invested;
- 2) notification made to the Puerto Rico Commissioner of Financial Institutions (Commissioner), to the Secretary of the Treasury and to the investors of the credits distribution;
- 3) certificate from the Accountant regarding the expenses disbursed of the Budget or indicating that the Bond was placed, according to the case; and
- 4) in the case of cessionaries, notification made to the Secretary of the Treasury and to the Commissioner.

For more details refer to Act No. 362 of December 24, 1999.

**Line 4** - Enter the amount determined on Schedule Q. You must submit Schedule Q and Q1 to claim this credit, as well as other forms that indicate the credit earned for the investment in several capital investment funds or direct investments.

In order to claim such credit, you must submit with your return copy of the certification issued by the pertinent agencies and copy of a sworn statement issued by the agency indicating the distribution or allocation of the credit.

**Line 6** - Enter the amount contributed to the **Educational Foundation for Free Selection of Schools**. The amount of credit allowed must not exceed \$250.

The amount of contributions made in excess of the credit will be deducted as charitable contributions, up to the limit allowed by the Code.

**You must keep for your records a certification from the Educational Foundation for Free Selection of Schools or copy of the canceled or substitute check as evidence of the contribution made.**

**Line 7** - Any person to whom a certificate of membership is issued as ordinary or extraordinary member of an Employees-Owned Special Corporation **is entitled to a credit of 25% of the total amount paid for said certificate up to \$1,000**. The credit shall be taken against the determined income tax for the year in which the payments to acquire the certificate are made, whether paid totally or paid in installments in one or more taxable years, as applicable. **The credit granted shall not be applicable against the alternate basic tax for individuals.**

In case that the amount of credit allowed exceeds the determined income tax for the taxable year, the excess may be carried forward during the next two years.

Refer to the Code and its regulations for qualifications and requirements to be entitled to this credit.

**Line 8** - Enter here the tax credit acquired during the year through the purchase, exchange or transfer made by the investor or participant of the primary investor. See instructions of Schedule Q in order to know the percentages and limitations to claim on the return.

To claim this credit, the conveyor and the cessionary must submit with the income tax return in the year of the cession, a sworn statement notifying the same to the Secretary.

**You must complete Part IV of Schedule B Individual.**

**Line 9** - Enter the amount of credit for investment in housing infrastructure recommended by the designated officials of the Housing Department and the Department of the Treasury.

Act No. 98 of August 10, 2001 grants a tax credit for infrastructure investment to developers of housing projects. It consists of two parts:

- credit for infrastructure investment which benefits social interest or middle class housing projects that belongs to the petitioner, and
- credit for infrastructure investment required by a governmental agency which benefits housing projects or other projects that do not belong to the petitioner, or in which the petitioner, its stockholders, partners or persons do not have a majority proprietorship interest.

The amount of the credit will be:

- 75% of the infrastructure's cost that benefits social interest housing projects of the petitioner;
- 50% of the infrastructure's cost that benefits middle class housing projects of the petitioner; and
- 100% of the infrastructure's cost that benefits housing projects and other projects that do not belong to the petitioner.

The petitioner must file an application with the Housing Department, with copy to the Department of the Treasury.

The credit will be available:

- once the infrastructure work and the housing project is completed;
- the Secretary of the Housing Department certifies the investment;
- the Secretary of the Treasury certifies the availability of the credit; and

- the infrastructure work be completed within a maximum term of 3 years from the date in which the Secretary of the Housing Department issues the corresponding Approval Certification.

In those cases where the investment in housing infrastructure is done within an area that constitutes an urban center, the City Planning Director (Director), if considered suitable, may recommend the credit up to a maximum of 100% in the infrastructure investment. In these cases, the certification issued by the Director must state the reasons for the recommendation of a credit for investment larger than the one provided under this Act and the computation of the quantity recommended as credit, according to the provisions of Act 212 of August 29, 2002, as amended.

Every credit not used in a taxable year may be carried over to subsequent years, until totally used.

**For additional details refer to Act No. 98 of August 10, 2001 and its regulations, Act No. 212 of August 29, 2002, as amended, and the Internal Revenue Circular Letter No. 04-04.**

**Line 10** - Enter the amount of credit for investment in the construction or rehabilitation of rental housing projects for low or moderate income families.

Act No. 140 of October 4, 2001 provides that every owner of a rental housing project for low or moderate income families may qualify for a tax credit of \$0.50 for every \$1.00 of eligible investment used in a new construction or substantial rehabilitation of housing units for rent to low or moderate income families.

The petitioner must file an application with the Housing Finance Authority.

The tax credit may be used once a credit certification guarantees the following:

- the total construction or rehabilitation has been completed within the term provided by law;
- the eligible investment was realized as established in the detail of costs of the new construction or substantial rehabilitation of the housing project as it was submitted by the petitioner in the application; and
- the total housing units have been rented to low or moderate income families within the term provided by law.

Every credit not used in the taxable year may be carried over to subsequent years, up to a maximum of 10 years.

**For additional details refer to Act No. 140 of October 4, 2001 and its regulations.**

**Line 11** - Enter the amount of credit for construction investment in urban centers. Every person who carries out a construction or improvement project in a urban center, as provided by law,

may claim a credit against the tax equal to 75% of the cost of the project or improvement. In case of projects located in historic zones, or if the constructed or improved structures are located within the four streets around the public square of all urban centers, whether they are historic zones or not, the credit will be 100% of the investment.

The credit will not apply neither will be available in case of those persons who have benefited or will benefit from any other tax incentive under the provisions of other state or federal acts or regulations, that are applicable against the investment attributable to the cost of the project or improvements made under these provisions, except as provided with respect to the credit for infrastructure investment granted by Act No. 98 of August 10, 2002, as amended.

The credit will be available in the taxable year in which its concession is notified by the Secretary of the Treasury. Any amount not used in a taxable year may be carried over to subsequent years, up to a maximum of 10 years.

The taxpayer must include with the return for every year in which the credit is claimed, a schedule detailing the date in which the credit was granted, the taxable years in which the tax credit has been claimed, its due date, as well as the total amount of the credit and the amounts claimed in previous years.

**For additional details refer to Act No. 212 of August 29, 2002, as amended, and to the Internal Revenue Circular Letter No. 04-04.**

**Line 12** - Enter the amount of credit for merchants affected by Urban Center revitalization. Every commercial entity established in the area affected by the construction of the revitalization projects in urban centers, will be entitled to claim an 8% tax credit of the 50% from the gross sales generated during the construction period.

The amount of this credit can not exceed the tax responsibility reported on previous year return. **To claim this credit the taxpayer must include with the return a certification issued by the Puerto Rico Commerce and Exportation Company in which the taxpayer is identified as a merchant affected by the construction work.**

**Line 13** - Enter the amount of credit to investors in an exempt business that is in the process of closing its operations in Puerto Rico. Every investor can claim a credit for industrial investment equal to 50% of its eligible investment.

The credit may be claimed in two installments: the first half in the year that the eligible investment was made, and the balance in subsequent years.

Every investor must request an Administrative Determination to the Secretary of the Treasury before claiming the industrial investment credit.

Every industrial investment credit not used in the taxable year may be carried over to subsequent years, until totally used.

**For additional details refer to Act No. 109 of August 17, 2001.**

**Line 14** - Enter the amount determined on Schedule B1 Individual, Part V, line 10. For details about percentages and limitations regarding these credits, refer to instructions of Schedule B1 Individual.

**Line 15** - Enter 50% of contributions made to the Santa Catalina's Palace Patronage (Patronage). However, such credit cannot exceed \$100,000 for taxable year 2004.

To claim this tax credit you must submit the certification issued by the Patronage evidencing that the contribution was made and accepted.

Such part of the credit not used in the taxable year in which the contribution was made, may be carried over to subsequent taxable years, until totally used.

**Remember that contributions to the Patronage generate a tax credit. Therefore, such contribution cannot be claimed as part of the itemized deduction for charitable contributions.**

**Line 16** - Enter the amount of credit for the establishment of an eligible conservation easement or donation of eligible land. The taxpayer may choose to claim a tax credit equal to 50% of the value of the eligible conservation easement or eligible land at the date of the donation.

The credit may be claimed in two installments: the first half in the year that the establishment of the conservation easement or donation of the eligible land occurs, and the balance in the subsequent year.

Such part of the credit not used in the taxable year may be carried over to each one of the subsequent 10 years.

**It is necessary to clarify that every person that constitutes an eligible conservation easement or donates an eligible land, may choose between the itemized deduction for charitable contributions or the taxable credit herein provided, but can not benefit from both at the same time.**

**For additional details refer to Act No. 183 of December 27, 2001, as amended.**

**Line 17** - Enter the credit for salaried persons or pensioners, as applicable. Every person who is single, head of household or married filing jointly, whose **adjusted gross income is more than \$10,000 but does not exceed \$50,000**, is entitled to claim a tax credit, if that person **complies with all the following requirements:**

- (1) the individual or joint gross income does not exceed \$50,000;
- (2) the individual or joint gross income is derived **only from**

salaries and wages subject to withholding in Puerto Rico, from pensions or tips; should not receive alimony, interest, dividends, sole proprietorship business or other income;

- (3) is not required to file an Estimated Tax Declaration;
- (4) is a United States citizen or a resident alien;
- (5) does not claim a tax credit for taxes paid to a foreign country or for withholding at source for services rendered; and
- (6) does not claim any other tax credit, except the credit for Contributions to the Educational Foundation for Free Selection of Schools.

**CREDIT AMOUNT**

Adjusted Gross Income		Single	Head of household	Married living with spouse and filing jointly
In excess of:	Up to:			
\$10,000	\$15,000	\$50	\$50	\$50
\$15,000	\$20,000	\$80	\$80	\$80
\$20,000	\$25,000	\$120	\$120	\$120
\$25,000	\$30,000	\$150	\$150	\$150
\$30,000	\$35,000	\$0	\$180	\$180
\$35,000	\$40,000	\$0	\$0	\$200
\$40,000	\$45,000	\$0	\$0	\$230
\$45,000	\$50,000	\$0	\$0	\$250

To determine if you qualify for this credit on the Long Form of the return, **adjusted gross income** means: gross income less the allowable deduction for ordinary and necessary expenses, losses (subject to the \$1,000 limitation) from the sale or exchange of capital assets, and payments from divorce or separation as provided by Section 1023(w) of the Code. In other words, the total of lines 1B, 1C, and 2(K), Part 2 of the return less line 5, Part II of Schedule A Individual (or line 8, Part I of Schedule I Individual), line 49, Part VII of Schedule D Individual and line 4, Part 2 of the return must be over \$10,000 but can not exceed \$50,000.

Use the following worksheet to facilitate the determination of the adjusted gross income for purposes of this credit.

**WORKSHEET**

<b>Determination of the Adjusted Gross Income for purposes of this credit:</b>	
Line 1B, Part 2 of the return	_____
<b>Plus:</b> Line 1C, Part 2 of the return	+ _____
Line 2(K), Part 2 of the return	+ _____
Total .....	\$ _____
<b>Less:</b> Line 5, Part II of Schedule A Individual .....	_____
Line 49, Part VII of Schedule D Individual .....	_____
Line 4, Part 2 of the return .....	_____
Total .....	( _____ )
<b>Adjusted Gross Income (must be over \$10,000 but not in excess of \$50,000 to claim this credit) .....</b>	
<b>\$ _____</b>	

**Line 18** - Enter 15% of the total income tax attributable to the income earned from the sale of books printed in Puerto Rico or from Puerto Rican authors.

In order to claim this benefit, the person who operates as a bookseller must designate 30% of the space in the bookstore or offering to the public, to the exhibition and sale of books from Puerto Rican authors.

You must include with the return a schedule detailing the determination of the 15% from tax that you will claim as an exemption. This benefit will be available for a period of 10 years, beginning on September 29, 2004, enforcement date of Act No. 516 of 2004 which grants this benefit.

**Line 20** - Enter the total amount of other credits not included on the preceding lines. **If on this line you included credits from different concepts, you must submit a schedule showing a breakdown of such credits. You must also submit documents or evidences to support such credits.**

**PART III - OTHER PAYMENTS AND WITHHOLDINGS**

**Line 1** - Enter the estimated tax paid for the taxable year. **For more information about estimated tax, refer to INSTRUCTIONS TO COMPLETE FORM 480-E - ESTIMATED TAX DECLARATION.**

**Line 2** - Amounts already included on line 1 should not be included again on this line.

**Line 4** - Enter the amount reported on Schedule F Individual, Part I, line 8. Submit the Informative Return - Income Subject to Withholding (Form 480.6B), Informative Return - Individual Retirement Account (Form 480.7) and Informative Return - Educational Contribution Account (Form 480.7B), as applicable, with the return.

**Line 5** - Enter the amount reported on Schedule F Individual, Part II, line 5A. Submit Form 480.6B with the return.



**Line 6** - Enter the tax withheld reported on Form 480.6B. You must submit this form with the return.

**Line 8** - Enter the tax withheld reported on Form 480.6B. You must submit this form with the return.

**Line 9** - Enter the tax withheld reported on Form 480.6B. You must submit this form with the return.

**Line 10** - Enter the tax withheld reported on the Informative Return - Corporation of Individuals (Form 480.6 CI). You must submit this form with the return.

**Line 11** - Enter the tax withheld reported on the Informative Return - Special Partnership (Form 480.6 SE). You must submit this form with the return.

**Line 12** - Enter 17% of tax withheld on distributions from IRA or Educational Contribution Accounts of income from sources within Puerto Rico. Submit the Informative Return - Individual Retirement Account (Form 480.7) and/or Informative Return - Educational Contribution Account (Form 480.7B).

**Line 13** - Enter 10% of tax withheld on IRA distributions to Government pensioners. Submit Form 480.7.

**Line 14** - Enter 10% of tax withheld on IRA distributions made during the period of July 1 through December 31, 2004, according with the provisions of Section 1169A of the Code. Submit Form 480.7

**Line 15** - Enter 10% of tax prepaid over IRA distributions according with Section 1169A of the Code. **It is important to point out that said prepayment will be informed on the return corresponding to the taxable year in which the distribution was received.** Submit Form 480.7.

**Line 16** - Enter the 20%, 10% or 5% withholding, as applicable, on lump-sum distributions (one payment or various payments during one year) from qualified pension plans.

**For additional details refer to instructions of Schedule D Individual, Part VI.**

**Line 17** - Enter 10% of tax withheld on lump-sum distributions, in excess of contributions, from the Retirement Saving Accounts Program, or from the transfer of such funds to a Non Deductible IRA. You must submit Form 480.6B.

**Line 18** - Enter the total of other payments and withholdings not included on the preceding lines.

If payments and withholdings of different nature are included on this line, such as 20% withholding from Major League baseball teams and the U.S. National Basketball Association, you must keep for your records a schedule showing a breakdown of such payments and withholdings. You must submit the corresponding Informative Return (i.e. Form 480.6B) and keep for your records any other document or evidence to support such payments and withholdings.

## SCHEDULE C INDIVIDUAL - CREDIT FOR TAXES PAID TO THE UNITED STATES, ITS POSSESSIONS AND FOREIGN COUNTRIES

Use this Schedule to determine the portion of the taxes paid to the United States, its possessions and foreign countries allowable as a credit.

To claim a credit for taxes paid to the United States, its possessions and foreign countries, it is necessary that you:

- 1) Paid or accrued income tax outside of Puerto Rico.
- 2) Included taxable income from outside of Puerto Rico on your Puerto Rico income tax return.
- 3) Keep for your records evidence of the tax paid (copy of canceled or substitute checks and copy of the return filed to the IRS (or the Tax Return Filing Certification, Form 1722) or foreign countries). If the payment receipt or tax return is written in a foreign language, you must keep for your records a certified translation of the same.

In order to determine the net income from sources outside Puerto Rico (Part I) and the net income from all sources (Part II), **the gross income will include** the net capital gain subject to the Special tax rate of 20%, 10%, 7%, 5%, 3.5% or any other applicable rate, the eligible distribution of dividends and share in partnerships profits subject to the 10% tax, and the interest paid or credited over deposits on accounts that earn interest over which you elected the 17% tax.

### PART I - DETERMINATION OF NET INCOME FROM SOURCES OUTSIDE OF PUERTO RICO

**Line 1** - Enter the adjusted gross income from sources outside of Puerto Rico. The adjusted gross income from outside sources is determined by subtracting the gross income of Puerto Rico not taxable in the United States, its possessions and foreign countries from the adjusted gross income of your return (Part 2, line 5). Therefore, it is important to accurately determine the source of the income at the moment you are filing the return.

The source of income is determined as follows:

- 1) Interest and dividends - It is determined by the payer's residence or place of incorporation.
- 2) Payments for personal services - It is determined by the place where the services are rendered.
- 3) Rents and royalties - It is determined by the place where the property is located or by the place of use, or of the privilege of using patents, copyrights, trademarks, goodwill and other similar property.
- 4) Profit on the sale of inventory - It is determined by the place where the title of goods is transferred. There is an exemption when you buy products manufactured outside of Puerto Rico.

- 5) Profit on the sale of personal property - It is determined by the place where the title of such property is transferred.
- 6) Profit on the sale of real property - It is determined by the place where such property is located.

## **PART II - DETERMINATION OF NET INCOME FROM ALL SOURCES**

Determine your net income from all sources according to your income tax return.

## **PART III - TAXES PAID OR ACCRUED TO THE UNITED STATES, ITS POSSESSIONS AND FOREIGN COUNTRIES**

Indicate the date of payment and the total amount of tax paid or accrued.

If the tax was paid or accrued in a foreign currency, you must translate such tax to U.S. dollars at the date of the payment. You must keep for your records a schedule indicating the translation to U.S. dollars.

## **PART IV - DETERMINATION OF CREDIT**

Determine the credit to be claimed and enter the amount that you are entitled.

**The credit cannot exceed the amount of taxes paid to the United States, its possessions and foreign countries.**

## **SCHEDULE CH INDIVIDUAL - RELEASE OF CLAIM TO EXEMPTION FOR CHILD (CHILDREN) OF DIVORCED OR SEPARATED PARENTS**

In the case of minor children from divorced or separated parents, the exemption for dependents will be claimed by the parent with the right to custody. However, a minor child will be considered to have received more than half of his/her support during a calendar year from the parent who does not have the right to custody if:

- 1) the parent with the right to custody signs a Schedule CH Individual establishing that he/she will not claim said child as a dependent for any taxable year commencing within said calendar year; and
- 2) the parent who does not have the right to custody submits said Schedule with the return for the taxable year commencing within said calendar year.

You may agree to release your claim to the child's exemption for the current taxable year or for future years, or both.

- Complete **Part I** only if you agree to release your claim to the child's exemption for this taxable year.
- Complete **Part II** only if you agree to release your claim to the child's exemption for any or all future years. If you do, write the specific future years or "all future years" in the space provided.

**If the custodial parent completed Part II, you must submit a copy of this Schedule with your return for each future year in which you claim the exemption.**

## **SCHEDULE D INDIVIDUAL - CAPITAL ASSETS GAINS AND LOSSES**

Use this Schedule to determine capital gains or losses on the sale or exchange of capital assets. Capital assets could be defined as a property acquired for investment.

Capital gains or losses are classified in two classes, based on the period of time you held the property:

- 1) short-term - property held not more than six months.
- 2) long-term - property held more than six months.

In order to determine short or long-term capital gains or losses, you must provide the description and location of the property sold, indicate if you reinvested or will reinvest in Puerto Rico the realized gain, and complete Columns (A) through (F) of Parts I and V, and Columns (A) through (G) of Parts II, III, and IV with respect to the properties.

Once you determine a gain in the sale or exchange of capital assets, you must identify the location and date of sale of the property. This information will determine, in part, the income tax rate applicable to the long-term capital gain.

For purposes of sale or exchange of capital assets, the term **property located in Puerto Rico** means:

- a) All real property located in Puerto Rico.
- b) Stock certificates issued by domestic corporations, or distributable share of a partner in a domestic partnership's capital.
- c) Stock certificates and distributable share in foreign corporations or partnerships, when no less than 80% of the gross income of said foreign corporation or partnership for the three (3) year period ended with the close of your taxable year previous to the transaction that generated the long-term capital gain, or for such part of said period in which the corporation or partnership have existed, was derived from Puerto Rico sources in accordance with the provisions of the Code.
- d) Bonds, notes or other debt obligations issued by:
  - (i) the Commonwealth of Puerto Rico;
  - (ii) municipalities of the Commonwealth of Puerto Rico; or
  - (iii) authorities or public corporations of the Commonwealth of Puerto Rico and its municipalities.
- e) Bonds, notes and other debt obligations of an individual resident of Puerto Rico; or from a domestic corporation or

partnership; or guaranteed by real property located in Puerto Rico.

- f) Bonds, notes or other debt obligations of foreign corporations or partnerships when no less than 80% of the gross income of said foreign corporation or partnership for the three (3) year period ended with the close of your taxable year previous to the transaction that generated the long-term capital gain, or for such part of said period in which the corporation or partnership have existed, was derived from Puerto Rico sources in accordance with the provisions of the Code.

Act No. 226 of August 22, 2004 (Act No. 226) provides a 50% reduction in the income tax rates applicable to long-term capital gains realized during the period of July 1, 2004 through June 30, 2005 (temporary period). To claim this benefit, the taxpayer must **reinvest** the realized gain **in Puerto Rico**.

To comply with the requirement of **reinvestment in Puerto Rico**, the taxpayer may reinvest the realized net capital gain in any of the following assets:

- a) "Property located in Puerto Rico" as defined under Section 1014(e)(3) of the Code.
- b) Certificates of deposit and saving accounts held in cooperatives, saving associations authorized by the Federal Government or the Commonwealth of Puerto Rico, commercial and mutual banks, or in any other banking organization established in Puerto Rico.
- c) Qualified pension plans under Section 1165 of the Code, which trusts are created and organized under the Laws of the Commonwealth of Puerto Rico and that its fiduciaries are residents of Puerto Rico.
- d) Stocks or shares of companies registered to operate as investment companies under the Laws of the Commonwealth of Puerto Rico, and subject to tax under the provisions of Section 1361 of the Code.

The gain must be reinvested not later than 60 days from the date of the transaction, and must be held for a minimum period of 1 year beginning in the date of the reinvestment. **For additional information, refer to the Internal Revenue Circular Letter No. 04-03.**

In case that the eligible person to claim the 20%, 10%, 7%, 5%, 3.5% or any other special tax rate, has derived capital gains from several categories, and at the same time has capital losses, to determine the net capital gain under each category, said losses will be applied against the gains in the proportion that each one of these gains bears with the total amount of said gains.

**For additional information, refer to the instructions to complete Schedule D2 Individual.**

**The adjusted basis of the property is** its original cost plus the cost of the permanent improvements, less depreciation, if the property was leased during its possession.

**Sale expenses** include sales commissions, advertisements, legal fees, appraisal and other similar expenses. Do not include lodging expenses (i.e. hotels) nor travel expenses (i.e. airplane tickets).

## **PART I - SHORT - TERM CAPITAL ASSETS GAINS AND LOSSES (HELD 6 MONTHS OR LESS)**

You must inform in this part **every** short-term capital gains and losses derived from: property located in Puerto Rico, other properties not included in the definition of property located in Puerto Rico, investment in Tourism Development Fund and Capital Investment Fund, and shares of an eligible corporation or partnership.

**Line 1** - Add Column (F) and enter the result on this line.

**Line 5** - If you elected to pay taxes using the bracket method, enter the amount determined on Form 480.6 SE, regarding the distributable share on the net short-term capital gain (or loss) of special partnerships. You must submit this form with your return.

**Line 6** - If you elected to pay taxes using the bracket method, enter the amount determined on Form 480.6 CI, regarding the distributable share on the net short-term capital gain (or loss) of a corporation of individuals. You must submit this form with your return.

**Line 7** - Enter the amount determined on the Informative Return, Employees-Owned Special Corporation (Form 480.6 CPT). You must submit said form with your return.

**Line 10** - Use this line only if during the taxable year you disposed all the interest or assets used in an activity that **is not** your principal industry or business, and a capital gain was derived in such disposition.

If you comply with the preceding requirement, enter the excess of deductions (losses) determined, as applicable, in whichever of the following schedules: Schedule K Individual, Part II, line 9; Schedule L Individual, Part II, line 11; Schedule M Individual, Part II, line 5; or Schedule N Individual, Part II, line 7.

For additional information about losses incurred in activities that **are not** your principal industry or business, refer to instructions for LOSSES in Part 2 of the return.

## **PART II - LONG-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN 6 MONTHS) (PROPERTY LOCATED IN PR - SECTION 1014(b) AND 1014(g)(2))**

You must inform in this part **only** long-term capital gains and losses derived from the sale of property located in Puerto Rico, as this term was previously defined in the instructions of this

Schedule. According to the provisions of Act No. 226, if the gain was realized during the temporary period and you complied with the requirement of reinvestment in Puerto Rico, enter the gain in Column (G).

**Line 12** – Add the amounts indicated in Columns (F) and (G), and enter the result on this line.

**Lines 15, 16 and 17** - Refer to instructions of lines 5, 6 and 7 of Part I, respectively.

**Line 19** - Refer to instructions of line 10, Part I.

**PART III - LONG-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN 6 MONTHS) (OTHER PROPERTIES- SECTION 1014(a) AND 1014(g)(1))**

You must inform in this part **only** long-term capital gains and losses derived from the sale of other properties not included in the term property located in Puerto Rico neither from the sale of stocks or shares of an eligible corporation or partnership. According to the provisions of Act No. 226, if the gain was realized during the temporary period and you complied with the requirement of reinvestment in Puerto Rico, enter the gain in Column (G).

**Line 21** – Add the amounts indicated in Columns (F) and (G), and enter the result on this line.

**Lines 23, 24 and 25** - Refer to instructions of lines 5, 6 and 7 of Part I, respectively.

**Line 27** - Refer to instructions of line 10, Part I.

**PART IV - LONG-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN 6 MONTHS) (SHARES FROM ELIGIBLE CORPORATION OR PARTNERSHIP - SECTION 1014(c) AND 1014(g)(3))**

You must inform in this part **only** long-term capital gains and losses derived from the sale of stocks or shares from an eligible corporation or partnership, as this term is defined in the instructions of Schedule D2 Individual. According to the provisions of Act No. 226, if the gain was realized during the temporary period and you complied with the requirement of reinvestment in Puerto Rico, enter the gain in Column (G).

**Line 29** - Add the amounts indicated in Columns (F) and (G), and enter the result on this line.

**Lines 31, 32 and 33** - Refer to instructions of lines 5, 6 and 7 of Part I, respectively.

**PART V – LONG-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN 6 MONTHS) REALIZED UNDER SPECIAL LEGISLATION**

You must inform in this part **only** long-term capital gains and losses derived from the sale of shares or other property from a

business that operates with a decree granted under any special act, or that operates and benefits from any special act in which a special tax rate is provided in lieu of the tax imposed by the Code.

**Line 36** – Enter the result of Column (F) on this line. Identify the act under which you received the benefit, and include the number of the decree that grants you the special treatment, if applicable.

**PART VI – LUMP-SUM DISTRIBUTIONS FROM QUALIFIED PENSION PLANS AND FROM VARIABLE ANNUITY CONTRACTS**

**Line 37** – Enter the distributions from pension plans in the corresponding column:

**Column A -** Enter the distributions from pension plans qualified in Puerto Rico by the Department of the Treasury received between January 1 and June 30, 2004, as long as such distributions are received in a lump-sum (one payment or various payments during one year only), and have resulted from a job termination. These distributions are taxable at the special rate of 20%.

**Column B -** Enter the distributions from pension plans that comply with the requirements established in Column A, except that they are received during the temporary period (after June 30, 2004), and comply with the requirement of investment in Puerto Rico provided by Act No. 226 and the Internal Revenue Circular Letter No. 04-03, as previously defined. These distributions are taxable at the special rate of 10%. Also enter the distributions that comply with requirements established in Column A, but were received after September 22, 2004 by beneficiaries who have reached the age of 55 or older at the moment of the distribution and that do not comply with the reinvestment requirement under Act No. 226.

**Column C -** Enter the distributions from pension plans that comply with the requirements established in Column A, except that they are received between September 22 and December 31, 2004, and the beneficiary has reached the age of 55 or older at the moment of said distribution and that comply with the reinvestment requirement provided by Act No. 226. These distributions are taxable at the special rate of 5%.

**Line 38** - Enter the lump-sum distributions (amounts paid during the same taxable year) under a variable annuity contract. You may elect on Schedule D2 Individual, to pay the 20% tax applicable to long-term capital gains, as provided by Section 1012B of the Code.

**PART VII - NET CAPITAL GAINS OR LOSSES AND DISTRIBUTIONS FROM QUALIFIED PENSION PLANS FOR DETERMINATION OF THE ADJUSTED GROSS INCOME**

**Line 40** - Enter here **only** the net capital gains determined on lines 11, 20, 28, 35 and 36.

Column A - Enter the net short-term capital gain, if any, determined in Part I, line 11.

Column B - Enter the net long-term capital gain from property located in Puerto Rico, if any, determined in Part II, line 20, Column F.

Column C - Enter the net long-term capital gain from property located in Puerto Rico, if any, determined in Part II, line 20, Column G.

Column D - Enter the net long-term capital gain from other properties, if any, determined in Part III, line 28, Column F.

Column E - Enter the net long-term capital gain from other properties, if any, determined in Part III, line 28, Column G.

Column F - Enter the net long-term capital gain from stocks or shares of an eligible corporation or partnership, if any, determined in Part IV, line 35, Column F.

Column G - Enter the net long-term capital gain from stocks or shares of an eligible corporation or partnership, if any, determined in Part IV, line 35, Column G.

Column H - Enter the net long-term capital gain from the sale of shares or other property realized under the provisions of special legislation, if any, determined in Part V, line 36, Column F.

**Line 40** - Enter here **only** net capital losses determined on lines 11, 20, 28, 35 and 36.

Column A - Enter the net short-term capital loss, if any, determined in Part I, line 11.

Column B - Enter the net long-term capital loss from property located in Puerto Rico, if any, determined in Part II, line 20, Column F.

Column C - Enter the net long-term capital loss from property located in Puerto Rico, if any, determined in Part II, line 20, Column G.

Column D - Enter the net long-term capital loss from other properties, if any, determined in Part III, line 28, Column F.

Column E - Enter the net long-term capital loss from other properties, if any, determined in Part III, line 28, Column G.

Column F - Enter the net long-term capital loss from stocks or shares of an eligible corporation or partnership, if any, determined in Part IV, line 35, Column F.

Column G - Enter the net long-term capital loss from stocks or shares of an eligible corporation or partnership, if any, determined in Part IV, line 35, Column G.

Column H - Enter the net long-term capital loss from the sale of shares or other property realized under the provisions of special legislation, if any, determined in Part V, line 36, Column F.

**Line 42** - This line must be used **only when one (1) or more** of Columns B through H reflects a loss on line 41. Such loss will be applied proportionally to the gains, if any, reflected in the other Columns of line 40, except Column A. If the other Columns do not reflect a gain on line 40, enter zero in the boxes.

**Line 44** - If line 41, Column A reflects a loss, apply the same proportionally to the gains, if any, reflected on line 40. If no Column reflected gains on line 40, enter zero.

On this line, the net short-term capital loss reflected on line 41, Column A, is applied proportionally to the long-term capital gains reflected on line 40, Columns B through H, after having applied proportionally the net long-term capital losses of the other categories.

**Line 48** - If you derived a net capital gain, the excess of the net long-term capital gain over the net short-term capital losses (including distributions from qualified pension plans and from variable annuity contracts) must be transferred to Schedule D2 Individual and to Part 2, line 2Q of the return. Schedule D2 Individual provides to reflect such gains according to their category. **On the other hand, the net short-term capital gain must be transferred only to Part 2, line 2Q of the return, therefore, do not transfer this amount to Schedule D2 Individual.** That is because the short-term capital gain is taxed at the regular tax rates. If the amount on line 47 is a net capital loss, then continue with line 49.

**Line 49** - If the amount on line 47 of this schedule is a loss, enter on this line and in Part 2, line 2Q of the return, the amount indicated on line 39 plus the smaller of the following: (a) the amount of the loss reflected on line 47, or (b) (\$1,000). If you have a net capital loss derived from the sale or exchange of assets, you may deduct up to \$1,000 on your return. Any loss not used may be carried over for a period of 5 years. Such loss may be used against any capital gain derived in the future, and if there is any remaining loss, you may claim it as a deduction up to \$1,000 in each of the 5 years.

## SCHEDULE D1 INDIVIDUAL - SALE OR EXCHANGE OF PRINCIPAL RESIDENCE

If you sold or exchanged your principal residence during the year, you must complete this Schedule in order to pay taxes on the gain, if any.

However, if you have the intention to purchase or construct a new residence, you may postpone the payment of taxes on the gain, if any, if within two years prior to or two years after the sale of the old residence, you purchase or construct a new residence in Puerto Rico and use it as your principal residence, provided that the purchase price of said new residence is equal to or larger than the selling price of the old residence.

On the other hand, if you do not invest the sale proceeds in another residence within the established period of time, or do not invest the total sale proceeds in another residence, you must recognize the gain in the year in which the sale occurred.

### PART I - COMPUTATION OF GAIN

**Line 1** - Enter the date of sale of the old residence. This date appears on the Sale and Purchase Deed.

**Line 2** - If you used funds from your Individual Retirement Account (IRA) to purchase your old residence, these funds are taxable when the old residence is sold. Enter the amount withdrawn from the IRA to purchase the old residence. Transfer to Schedule F Individual, Part VII.

**Line 3** - If you sold your principal residence during the taxable year, you must inform the Secretary of the Treasury whether you purchased or constructed a new residence and the dates thereof.

**Line 4** - Enter the selling price of your old residence, without including personal property items. Generally, the sale price includes the cash received from the sale plus the mortgages assumed by the purchaser.

**Line 5** - Enter the expenses incurred in order to sell the old residence. These expenses include sales commissions, advertising, legal, appraisal and other expenses. Lodging expenses (i.e. hotels) nor travel expenses (i.e. airplane tickets) are not considered selling expenses. Do not include fixing-up expenses on this line (see the instructions for line 16).

**Line 7** - Enter the adjusted basis of the old residence. The adjusted basis is the original cost of the old residence and its permanent improvements, less the accumulated depreciation, if the property was leased during its possession.

**Line 9** - If you answered "Yes", do not complete the rest of the Schedule and include the same with your return. You must complete an additional Schedule D1 Individual on the following year if you have not replaced your residence and have the intention of doing so during the replacement period. If you answered "No", continue with Part II or III, whichever applies.

## PART II - ONE-TIME EXCLUSION FOR TAXPAYERS AGE 60 OR OLDER

If you or your spouse are age 60 or older at the date of the sale or exchange of the principal residence, you may exclude from the gross income up to \$130,000 (\$65,000 if married filing separately) from the gain realized on the sale or exchange of your principal residence. This exclusion will apply as long as you have used the property as your principal residence for a period of 3 years or more of the 5 years previous to the sale. **This exclusion may be claimed by the taxpayer once in a lifetime.**

If you realized a gain on the sale or exchange of your principal residence, and did not purchase or construct a new residence within the time limits previously mentioned, or do not have the intention of buying or constructing a residence, and do not qualify for the \$130,000 exclusion (\$65,000 if married filing separately), or did not claim said exclusion, transfer the total amount of the gain from line 8 of this Schedule to line 2 (if you possessed the residence for 6 months or less), or to line 13 (if you possessed the residence for more than 6 months) of Schedule D Individual.

If you qualify for the exclusion and claimed it, but did not purchase or contract a new residence, neither have the plan to do so during the period established by the Code to differ the gain, transfer the amount of gain recognized from line 15 of this Schedule to Schedule D Individual, Part II, line 13, Column (F) or (G), whichever applies.

### PART III - ADJUSTED SALES PRICE, TAXABLE GAIN AND ADJUSTED BASIS OF NEW RESIDENCE

**Line 15** - If the purchase price or cost of construction of the new residence is smaller than the adjusted sale or exchange price of the old residence, the gain will be recognized only up to the total amount by which the adjusted sales or exchange price of the old residence exceeds the cost of purchase of the new residence. You must indicate if the recognized gain is a short-term or long-term gain.

**Line 16** - Enter the fixing-up expenses you paid in order to sell the old residence. Fixing-up expenses include repair, maintenance, painting and cleaning expenses paid in order to facilitate the sale of the property. However, to qualify, the expenses must be:

- ↳ for work performed during the 90 day period ended on the date in which the sales contract of the old residence took place;
- ↳ paid not later than 30 days after the date of sale of the old residence.

The fixing-up expenses do not include amounts paid for sales expenses nor permanent improvements. To claim said expenses, see instructions for lines 5 and 7, respectively.

**Line 19(b)** - Enter the cost of the new residence. The cost of the new residence includes that part of such cost that is ascribed to the purchase, construction, reconstruction and improvements made that can appropriately be charged to the capital account during the established replacement period.

**SCHEDULE D2 INDIVIDUAL - SPECIAL TAX ON NET LONG-TERM CAPITAL GAINS**

Every individual, estate or trust will pay, in lieu of any other tax imposed by the Code, a special tax for the total amount that exceeds the net long-term capital gains over any net short-term capital loss, including the direct investments and not through a Capital Investment or Tourism Fund.

The special tax rate will be 10% in the case that the property sold constitutes Property Located in Puerto Rico, as such term is defined in the instructions of Schedule D Individual.

For Other Properties, such as property located outside of Puerto Rico and property not considered in the definition of property located in Puerto Rico nor constitute shares of an eligible corporation or partnership, the special tax rate will be 20%.

You may also elect to pay a 20% tax on lump-sum distributions from qualified pension plans and from variable annuity contracts.

Furthermore, you may elect to pay a tax of 10% for the total amount that exceeds the net long-term capital gains attributable to investments made in a Tourism Development Fund and Capital Investment Funds, over any net short-term capital loss for the same concept.

Also, every eligible person may elect to pay a tax of 7% on the total excess of any net long-term capital gain over any net short-term capital loss from the sale of shares from an eligible corporation or partnership. For this purposes, **eligible person** means any person:

- (1) that is a shareholder or partner, or became a shareholder or partner, of an eligible corporation or partnership at the moment in which said corporation or partnership makes its first stocks or shares sales offer at the New York Stock Exchange, NASDAQ or any other national stock market in the United States of America, provided that the offer is made after June 30, 1997 and before January 1, 2008;
- (2) that became a shareholder or partner of an eligible corporation or partnership at the moment in which said corporation or partnership makes a new issuance of stocks or shares (including portfolio shares or stocks), provided that the stocks or shares of such entity are valued at the New York Stock Exchange, NASDAQ or any other national stock market in the United States of America, and the offer of the new issuance is made after June 30, 1997 and before January 1, 2008;

- (3) that is a shareholder or partner, or became a shareholder or partner of an eligible corporation or partnership at the moment in which said shareholders or partners make their first stocks or shares sales offer at the New York Stock Exchange, NASDAQ or any other national stock market in the United States of America, provided that the offer is made after June 30, 1997 and before January 1, 2008.

**Eligible corporation or partnership means:**

- any private corporation or particular partnership, both domestic, which makes a stocks or shares sales offer as described in the preceding sections (1) and (2), with the purpose of obtaining funds to be used on its industry or business in Puerto Rico, including improvements or expansions of said industry or business, or in the acquisition of a new industry or business in Puerto Rico;
- any private corporation or particular partnership, both domestic, which stocks or shares became public because its stockholders or shareholders make their first stocks or shares offer as described in the preceding section (3), at the New York Stock Exchange, NASDAQ or any other national stock market in the United States of America, provided that the offer is made after June 30, 1997 and before January 1, 2008.

It is important to point out that there are particular situations where as a result of the operation of a business under the provisions of special legislation, the gain in the sale or exchange of capital assets may be taxable at a special rate not mentioned previously. For example, this occurs with the Tax Incentives Act of 1998 (Act No. 135 of December 2, 1997, as amended), which provides a special tax rate of 4% applicable in the case of the sale or exchange of stocks of an exempt business with an exemption decree, and that if it were not for this special legislation, it will be subject to the regular tax rates imposed under the Code.

However, you may elect to include such gains as part of your gross income on the income tax return for the year in which said gains are recognized, and pay a tax in accordance with the normal tax rates, whichever is more beneficial.

Based on the above provisions, you may reduce your tax liability by using Schedule D2 Individual, if the total amount on line 48 of Schedule D Individual is more than zero, and

You filled in the Personal Status Oval under which you File:	In Part 3, line 14 is more than:
1, 2, 3 or 4	\$17,000
5	\$ 8,500



## TRANSITORY PROVISIONS APPLICABLE TO LONG-TERM CAPITAL GAINS

Income tax rates applicable to the net long-term capital gains realized under certain transactions within the period of July 1, 2004 through June 30, 2005 (temporary period), including distributions from qualified pension plans, were reduced in 50%, as indicated in the following table:

CONCEPT	CAPITAL GAIN RATES	CAPITAL GAIN RATES (Transitory Provisions)
Other Properties	20%	10%
Property Located in Puerto Rico	10%	5%
Shares of Eligible Corporation or Partnership	7%	3.5%
Pension Plans	20% ó 10%	10% ó 5%

To be entitled to this benefit, the taxpayer must comply with certain requirements, among which are the reinvestment in Puerto Rico of the gain realized during the temporary period not later than 60 days from the date in which the transaction occurred, and that such reinvestment must be held for a minimum period of one year from the reinvestment date. For more details refer to the instructions of Schedule D Individual.

You must complete your return up to Part 3, line 14 before using Schedule D2 Individual.

### PART I - COMPUTATION OF SPECIAL TAX ON NET LONG-TERM CAPITAL GAINS

**Line 1** - If you are within the first three years from the beginning of an activity that is your or your spouse's principal industry or business and said activity generated a loss, **do not transfer to this line** any excess of said loss after having applied the same against other income **except** salaries and pensions.

**Line 2** - The amounts to be included on **lines 2(a), 2(b), 2(e) and 2(g)**, if you elect to pay taxes on such items at the special rates, come from Schedule D Individual, line 45, as applicable. The net short-term capital gains should be taxed at regular rates, and cannot be transferred to this line.

You must enter **zero** in any line on which you decide to pay taxes at the regular tax rates and do not elect the special rates. This applies to such cases in which you have derived gain in more than one of the concepts indicated on this line.

**Line 2(c)** - Enter in Column A the distributed amount of pension plans qualified with the Department of the Treasury, for which you elect to pay taxes at the special rates received in a lump-sum after an employment separation (from Schedule D Individual, Part VI, line 37, Column A) or in Column B the distributions received under the provisions of Act No. 226 of 2004 (from Schedule D Individual, Part VI, line 37, Column B).

**Line 2(d)** - Enter in Column A the distributed amount of pension plans qualified with the Department of the Treasury, for which you elected to pay taxes at the special rate, and were received after September 22, 2004 in a lump-sum as consequence of an employment separation by a beneficiary who have reached the age of 55 or older at the moment of the distribution (Schedule D Individual, Part VI, line 37, Column B). On the other hand, enter the amount in Column B if the distribution comply with the provisions of Act No. 226 of 2004 (Schedule D Individual, Part VI, line 37, Column C).

**Line 2(h)** - Enter the lump-sum distribution (amounts paid during the same taxable year) from a variable annuity contract that you have elected to treat as a long-term capital gain under Section 1012B of the Code (from Schedule D Individual, Part VI, line 38).

**Line 4(a)** - Enter the standard or itemized deduction, whichever is larger. Re-compute your deductions for Medical Expenses and Charitable Contributions (if any), based on the Adjusted Gross Income indicated on line 3 of this schedule. Do not alter any of the previously established amounts in other schedules.

**Line 5** - Subtract line 4(e) from line 3 and enter the difference (but not less than zero). This is the Net Taxable Income without including the excess of the net long-term capital gains over the net short-term capital losses.

**Line 13** - Add the amounts of lines 6 through 12 of this schedule. This is your total tax as per special tax on the excess of net long-term capital gains over the net short-term capital losses.

### PART II - COMPUTATION OF REGULAR TAX ON NET TAXABLE INCOME AS PER RETURN

**Line 16** - Enter line 13 or 15, whichever is smaller. If the amount on line 15 from the computation of the Regular Tax is smaller than the amount on line 13, enter the tax of line 15 in Part 4, line 15 of the return and fill in completely oval 1 in said Part. If the amount on line 13 is smaller, enter this amount in Part 4, line 15 of the return and fill in completely oval 2 in said Part. **In this case, submit this Schedule with your return.**

## SCHEDULE E - DEPRECIATION

This Schedule must be completed by those taxpayers who are engaged in an industry or business, or who derived income from professions, commissions, farming and rent.

Schedule E will be used to inform each of the properties for which you claim depreciation. There are spaces for current, flexible and accelerated depreciation; improvements depreciation and amortization.

On this schedule you must inform the following:

- classification of the property;
- date acquired;
- allowable cost or basis;

- depreciation claimed in previous years;
- estimated useful life to determine the depreciation;
- depreciation claimed in the current year.

### Line (b) - Flexible Depreciation

In order to be entitled to claim flexible depreciation in lieu of current depreciation, the Code requires you to make an option through a sworn statement to be filed not later than 30 days after the end of the taxable year. Said option may be exercised only for property acquired by the taxpayer prior to June 30, 1995.

### Line (c) - Accelerated Depreciation

The Code grants a deduction for accelerated depreciation in lieu of current depreciation. In order to be entitled to this deduction, the taxpayer is required to make an election with his/her return to use the accelerated depreciation method. Said election may be exercised only for property acquired by the taxpayer during taxable years commenced after June 30, 1995. The aforesaid election, once made, is irrevocable.

**Refer to the Code and its regulations for other requirements and provisions in connection with the deduction under the flexible and accelerated depreciation methods.**

**Submit this Schedule with your return.**

## SCHEDULE F INDIVIDUAL - OTHER INCOME

The following types of income will be reported on this Schedule: interest, dividends from corporations and distributions from partnerships, distributable share on profits from special partnerships and corporations of individuals, distributions and transfers from the Retirement Saving Accounts Program, income from prizes and contests, judicial or extrajudicial indemnifications, miscellaneous income, income from Major League baseball teams and the U.S. National Basketball Association, and distributions from Individual Retirement Accounts and Educational Contribution Accounts.

### PART I - INTEREST

Enter in the indicated spaces, the payer's name and employer's identification number, and the account number.

**Column A** - Enter the eligible interest earned from corporations and partnerships' debt, engaged in industry or business in Puerto Rico, from new mortgages over residential property located in Puerto Rico, if you elected to pay the special tax rate of 10%.

The term **eligible interest** means any interest over bonds, notes or other debts issued by a corporation or partnership engaged in a trade or business in Puerto Rico, provided that the proceeds from these debts are invested only in the industry or business in Puerto Rico of said corporation or partnership

within a period of 24 months or less from the issuance date of said debts.

Also, interest from mortgage loans over residential property located in Puerto Rico which mortgages are granted after July 31, 1997, insured or guaranteed by the provisions of the National Housing Act of June 27, 1934, as amended, or by the provisions of the Servicemen's Readjustment Act of 1944, will qualify for the aforementioned special tax rate of 10%.

**Column B** - You must show the interest subject to withholding from eligible financial institutions, including taxable interest from an Individual Retirement Account or an Educational Contribution Account, if you exercised the option to pay a special tax rate of 17% over the excess of \$2,000. Submit with your return Form 480.6B (Informative Return - Income Subject to Withholding), Form 480.7 (Informative Return - Individual Retirement Account) and Form 480.7B (Informative Return - Educational Contribution Account), as applicable.

**Column C** - Enter the interest received from eligible financial institutions for which the option to pay the 17% tax was not exercised. Submit with your return Form 480.6A (Informative Return - Income Not Subject to Withholding).

**Column D** - Enter the interest earned from Individual Retirement Accounts (IRA) received from distributions to certain Government pensioners, if you exercised the option to pay a special tax rate of 10% over the excess of \$2,000. For additional information refer to instructions of Part VII of this Schedule. Submit Form 480.7 with your return.

**Column E** - Enter the interest earned from IRA distributions subject to the provisions of Section 1169A of the Code. For additional information, refer to instructions of Part VII of this Schedule. Submit Form 480.7 with your return.

**Interest received from financial institutions engaged in trade or business in Puerto Rico are exempt up to \$2,000. This exclusion will be claimed on Schedule F Individual, Part I, line 2, Column B, C, D or E. The total amount of line 2 in all columns should not exceed \$2,000. However, in case of married individuals filing separate returns, the exclusion should not exceed \$2,000 for each one.**

**Column F** - Enter the interest received or credited from deposits, certificates of deposit, current accounts held in savings cooperatives and associations, which are kept in any commercial bank or financial institution located outside of Puerto Rico, or any other interest income not included in Columns A through E.

### PART II - CORPORATE DIVIDENDS AND PARTNERSHIPS DISTRIBUTIONS

Enter in the indicated spaces, the payer's name and employer's identification number, and the account number.

**Column A** - You must include dividends and profits from corporations or partnerships subject to withholding. Every

distribution made by a domestic or foreign corporation, whose income from sources within Puerto Rico is at least 80% of its gross income derived during 3 taxable years preceding the date of the dividend's declaration, is subject to a 10% preferential tax. If you have an investment in stocks or shares in a domestic corporation or partnership, a 10% withholding will be made automatically from any distribution, unless you elect that such withholding be inapplicable.

If you elected that no withholding be made, you must inform such income as ordinary income and pay taxes at the regular rates. This income must be informed in Column B.

If the 10% tax withholding was made, you may elect to pay taxes from the dividends or profits as ordinary income, if it is more beneficial, in case of which you must enter this amount on line 2D, Part 2 of the return.

**Column B** - Enter any dividend or profit distribution received from a foreign corporation or partnership not engaged in trade or business in Puerto Rico, or which income is substantially from sources outside Puerto Rico.

**The tax withheld from interest, dividends or profits will be credited against your tax liability. Transfer the amounts withheld in Parts I and II of this Schedule, to Schedule B Individual, Part III, line 4 or 5, as applicable. Submit Form 480.6B with your return.**

### PART III - SPECIAL PARTNERSHIPS PROFITS

Enter here only the distributable share on income derived by a special partnership.

**Submit with the return Schedule R - Special Partnership.**

### PART IV - PROFITS FROM SUBCHAPTER N CORPORATIONS OF INDIVIDUALS

You must report your distributable share on the income or loss derived by a corporation of individuals. If the corporation of individuals derived losses, you may use said losses only against income derived from the distributable share of other investment made in a corporation of individuals or against income derived by the corporation of individuals that produced the loss. Losses not admissible may be carried over indefinitely.

### PART V - DISTRIBUTIONS AND TRANSFERS FROM THE RETIREMENT SAVING ACCOUNTS PROGRAM

You must inform the transfers from the balance in the saving account of participants in the Retirement Saving Accounts Program when they leave the service, and the lump-sum payment to those participants who reach the normal age for retirement.

**Line 1** - Enter the distributions and transfers from the Retirement Saving Accounts Program, in the corresponding column.

**Column A** - Enter the distributions under \$10,000. Transfer this amount to Part 2, line 2G of the return (Submit Form 480.6A).

**Column B** - Enter the lump-sum distributions of \$10,000 or more, subject to the 10% tax.

**Column C** - Enter the amounts transferred to a non deductible individual retirement account, subject to the 10% tax.

**Line 2** - Enter the 10% tax applicable to lump-sum distributions of \$10,000 or more (Column B) or transfers under Section 1169B (Column C), as applicable. Transfer this amount to Part 4, line 23 of the return.

### PART VI - MISCELLANEOUS INCOME

**Column A** - Enter those miscellaneous income not itemized in any part of the return or schedules.

**Column B** - Enter those amounts received from judicial or extrajudicial indemnification, paid under a judgement issued by the Court or under an extrajudicial claim, that constitute taxable income.

The term **taxable income** includes, among others:

- 1) any part of the compensation that represents or substitutes losses from income or salaries, including ceased profits; and
- 2) the indemnification from lost or ceased salaries in cases of job suspension or termination, or from illegal dismissals.

The amounts received from judicial or extrajudicial indemnification are subject to a 7% withholding of tax at source. Submit Form 480.6B with your return. Enter the income tax withheld on Schedule B Individual, Part III, line 9.

**Column C** - You must inform the income received from prizes or contests. If the prize consists of a property, equipment or other value, you must inform its fair market value.

**Column D** - You must inform income received from Major League baseball teams or the U.S. National Basketball Association, subject to the 20% withholding at source. (Submit Form 480.6B). Enter the tax withheld on Schedule B Individual, Part III, line 18.

### PART VII - DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS AND EDUCATIONAL CONTRIBUTION ACCOUNTS

Enter in the indicated spaces, the payer's name and employer's identification number, and the account number.

**Column A** - Enter the distributions received from an Individual Retirement Account (IRA) or an Educational Contribution Account. **Do not include interest received in this part. The same must be reported in the corresponding column of Part I of this Schedule.** Submit with the return the Informative Return - Individual Retirement Account (Form 480.7) and Informative Return - Educational Contribution Account (Form 480.7B), as applicable.

**Column B** - If the owner or beneficiary of the IRA or Educational Contribution Account receives a total or partial distribution **that is not an interest distribution received from financial institutions engaged in trade or business in Puerto Rico** (as provided in Section 1013 of the Code), **neither a distribution of the contributions to your IRA**, and which consists of sources within Puerto Rico received by said IRA, enter the amount distributed in this column if you elected the option to pay the special tax rate of 17%. **Submit Form 480.7 with your return.**

**Column C** - If the owner or beneficiary of the IRA receives a total or partial distribution and is a pensioner of the Retirement System of the Employees of the Commonwealth of Puerto Rico and its Instrumentalities, the Judicature Retirement System or the Teachers Retirement System, enter in this column the amount distributed, **that does not constitute a distribution of your contributions**, if you elected the option to pay the special tax rate of 10%. That part of the distribution which constitutes your contribution to the IRA, must be reported in Column A. **Do not include the interest received in this part. The same must be reported in the corresponding column of Part I of this Schedule. Submit Form 480.7 with your return.**

**Column D** - Enter IRA distributions received during the period of July 1 through December 31, 2004, as provided in Section 1169A of the Code. Also, enter IRA distributions for which the tax was prepaid during the periods of August 1 through October 31, 2002 and/or July 1 through December 31, 2004, at the 10% special income tax rate provided by said Section. **Do not include the interest received in this part. The same must be reported in the corresponding column of Part I of this Schedule. Submit Form 480.7 with your return.**

**Line 2** - Enter 17% of tax from line 1B. Transfer this amount to Part 4, line 21 of the return. The tax withheld (17%) on such distributions must be informed on Schedule B Individual, Part III, line 12.

**Line 3** - Enter 10% of tax from line 1C. Transfer this amount to Part 4, line 22 of the return. The tax withheld (10%) on such distributions must be informed on Schedule B Individual, Part III, line 13.

**Line 4** - Enter 10% of tax from line 1D. The tax withheld (10%) on such distributions must be informed on Schedule B Individual, Part III, line 14. On the other hand, if the tax on total or partial distribution was prepaid as provided in Section 1169A, enter the amount prepaid on Schedule B Individual, Part III, line 15.

**Line 5** - If you elected that the 17% withholding (IRA or Educational Contribution Accounts distributions from sources within Puerto Rico) or 10% withholding (IRA distributions to Government pensioners) was to be made, you may elect to pay the special tax rates on those distributions or as ordinary income, whichever is more beneficial.

## SCHEDULE G INDIVIDUAL - SALE OR EXCHANGE OF ALL TRADE OR BUSINESS ASSETS OF A SOLE PROPRIETORSHIP BUSINESS

Every individual who sells, exchanges or disposes of all the assets used in his/her sole proprietorship business, may defer the gain if:

- 1) Re-invests the product of the sale or exchange in another sole proprietorship business in Puerto Rico.
- 2) Makes the reinvestment within 12 months from the date of the sale or exchange of the first business.

**This gain deferral will not apply to businesses conducted by corporations or partnerships, or other type of organizations.**

### Definitions:

**Sole proprietorship business** - Any business engaged in manufacture, agriculture, construction, sale and purchase of consumers' goods or to render services, all of which are totally owned by a natural person.

**Assets used in your sole proprietorship business** - It includes land, real and personal property subject to the concession of depreciation, property included on the taxpayer's inventory in existence at the end of the taxable year, property possessed for the sale during the ordinary course of business or industry, sales or payable promissory notes and other intangible property. The term does not include property for personal use, property possessed as investment and property that is not used in your sole proprietorship business.

### PART I - QUESTIONNAIRE

You must indicate on line 1 if in previous years you have claimed the benefit of postponing the gain of a sole proprietorship business, by filling in completely the corresponding oval. In case you have answered "Yes", you must inform in the spaces indicated the taxable year in which you commenced to postpone the gain and the amount claimed.

The adjusted basis to be informed on line 2 will be equal to the amount determined on Schedule G Individual, Part III, line 20, for the taxable year in which you elected to benefit from the gain postponement.

This Schedule must include the aforesaid information and will be submitted with your return for **all the subsequent years in which you elected to benefit from the postponement of the gain from a sole proprietorship business.**

### PART II - COMPUTATION OF GAIN

**Line 7** - You must inform those expenses incurred that made possible the sale of your first sole proprietorship business. The following examples are considered these type of expenses: advertisements, legal fees, commissions, etc.

**Line 9** - The adjusted basis of your first sole proprietorship business will be its cost, increased by the permanent improvements made to the business, and reduced by the depreciation expense claimed over the business assets used.

**Line 11** - If you sold your first sole proprietorship business and have the intention of purchasing another new sole proprietorship business, the Code provides you the benefit to postpone the realized gain as long as you comply with the requirements previously mentioned. Do not complete the rest of the Schedule and submit it with your return. You must fill out another Schedule G Individual for next year to inform the postponed gain and the adjusted basis of the new sole proprietorship business.

### **PART III - ADJUSTED SALES PRICE, TAXABLE GAIN AND ADJUSTED BASIS OF NEW SOLE PROPRIETORSHIP BUSINESS**

**Line 12** - Enter on this line the total amount realized on the sale of your first sole proprietorship business as determined on line 10. Indicate if it is a short-term or long-term gain, by filling in completely the corresponding oval.

If this line is zero, then there is no gain to be recognized for this taxable year. In this case, do not complete the rest of the form and include the same with the return.

If this line is larger than zero and you acquired a new sole proprietorship business, continue with the rest of the form in order to determine if any part of this realized gain will be taxed in this taxable year. This occurs when the assets sales price of your first sole proprietorship business exceeds the purchase cost of the new sole proprietorship business.

On the other hand, if this line is more than zero and you do not have the intention of buying another business during the replacement period provided by the Code, all realized gain, as determined on line 10 of this schedule, will be recognized and taxed in this taxable year.

**Line 13** - To determine which part of the realized gain is taxable, the sale price of the first sole proprietorship business will include only the amount of any mortgage, fiduciary cession for the benefit of creditors (trust deed), or any other debt to which is subject such property in possession of the purchaser. In this case, the commissions and other selling expenses paid or incurred on the sale of the first sole proprietorship business will not be deducted nor taken into consideration while determining the sale price.

**Line 14(b)** - The cost of the new sole proprietorship business will be its cost plus those debts to which the property is subject (including mortgages) as of the date of the purchase, and the nominal value of the taxpayer's debts that are part of the consideration for the purchase.

**Line 18** - Enter the smaller of line 12 or 17. If the result is zero or less, there will be no taxable gain for this taxable year.

If the amount is more than zero, this will be the taxable gain for this taxable year. This occurs when the total amount reinvested in the new sole proprietorship business is smaller than the sale price of the first sole proprietorship business.

**Line 20** - This will be the adjusted basis of the new sole proprietorship business which you must inform in all the subsequent taxable years in which you elected the benefit of postponing the gain. The same will be informed on Schedule G Individual, Part I, line 2 of the following year of said election.

This provision has the effect of postponing the gain not recognized on the sale of the first sole proprietorship business until a sale is made of all the assets of the new sole proprietorship business.

### **SCHEDULE H INDIVIDUAL - INCOME FROM ANNUITIES OR PENSIONS**

This Schedule must be completed if you received income from annuities or pensions exceeding \$8,000 for individuals younger than age 60, or \$12,000 for individuals age 60 or older. Schedule H Individual provides space to report the income from only one annuity or pension. Therefore, in cases of individuals receiving more than one annuity or pension, a separate schedule should be completed for each annuity or pension. If the taxpayer receives more than one annuity or pension, the exclusion will apply for each annuity or pension separately.

If you receive income from social security, do not complete this Schedule because the same is not taxable in Puerto Rico. Otherwise, if you bought an annuity through a financial or insurance institution, do not complete this Schedule. Any income received from such annuity must be informed on Schedule F Individual, after considering the annuity's cost to be recovered.

### **PART I - DETERMINATION OF COST TO BE RECOVERED**

Complete this part only if you have not recovered the cost of the pension. If you have already recovered the cost of the pension, do not fill out this Part and continue in Part II of the Schedule.

**Line 1** - Enter the cost of the annuity or pension. The cost of the annuity is the amount that the taxpayer paid in order to be entitled to receive the annuity or pension. Said cost appears on Form 499R-2/W-2PR, Part 7.

**Line 2** - Breakdown as per taxable year and totalize the amount of pension received in previous years.

**Line 3(a)** - Breakdown as per taxable year and totalize the amount of taxable pension received in previous years.

**Line 3(b)** - Breakdown as per taxable year and totalize the amount of tax exempt pension received in previous years.

## PART II - TAXABLE INCOME

**Line 7** - Enter the total amount received from annuities or pensions during the year. This information appears on Form 499R-2/W-2PR, Part 12.

**Line 8** - Enter \$8,000 if you are younger than age 60, or enter \$12,000 if you are age 60 or older.

If the total amount received during the year exceeds \$8,000 or \$12,000, as applicable, only the excess over such amount will be subject to tax. While you are recovering the cost of the annuity or pension, you will be taxed up to 3% of such cost.

**If you claim the exempt amount of \$12,000, you must keep for your records a copy of your birth or baptism certificate as evidence to support your right to claim the exemption.**

**Line 12** - Enter the amount of line 11 or 3% of the cost of the annuity, whichever is larger, until you have recovered the total cost of your annuity, pension or policy tax free. This amount can not be larger than the amount on line 9.

If the payments received covered less than 12 months, multiply 1/12th from the 3% of the pension cost (line 1) by the number of months for which the pension was received.

Enter on line 12 of this Schedule, and in Part 2, line 2K of the return, the amount determined from the above computation, or the amount indicated on line 11 of this Schedule, whichever is larger, but not larger than the amount of line 9.

**Line 13** - Enter the income tax withheld, and transfer this amount to Part 4, line 32B of your return.

**Submit with your return the Withholding Statement (Form 499R-2/W-2PR) and this Schedule.**

### SCHEDULE I INDIVIDUAL - ORDINARY AND NECESSARY EXPENSES

The Code provides a deduction for certain ordinary and necessary expenses incurred to derive income as an employee. This deduction is limited to the amount paid up to \$1,500, or 3% of the salary, whichever is smaller. The deduction claimed for ordinary and necessary expenses will be subject to a rigorous investigation. Therefore, in order to claim these expenses, you must be entitled to them, and keep the necessary evidence.

## PART I - DETAIL OF EXPENSES

**Line 1(A)** - Enter 100% of expenses for meals and entertainment, which are neither luxurious or extravagant, paid by you, as a result of your services as an employee.

**Line 1(B)** - Enter the amount reimbursed by your employer for meals and entertainment only.

**Line 1(C)** - This excess constitutes income and must be included on Schedule F Individual, Part VI.

**Line 1(E)** - This is the amount of meals and entertainment you will use to determine the deduction for ordinary and necessary expenses.

**Line 2(A)** - Enter the cost for the purchase and maintenance of uniforms (Do not include civilian clothes. The uniform must identify the business or organization you work for).

Enter on lines 2(B) through 2(D) the expenses incurred for dues paid to unions, college memberships, labor or professional associations, purchase of educational materials by teachers, and the purchase of technical books related to professional or technical work.

**Line 2(E)** - Enter the educational expenses paid during the taxable year to maintain or improve the skills required in your profession or occupation, to comply with the express requirements of an employer, or to comply with the legal or regulatory provisions to maintain your salary or job as an employee. If the taxpayer is a teacher or professor, the educational expenses are allowed whether or not the employer has required you to maintain or improve your skills, but only if the studies completed are usually taken by the members of your profession and result in the benefit of the school population.

**Line 2(F)** - Enter the depreciation of any property used that is related to your employment. Complete the detail of the depreciation on the reverse side (Part II) of the Schedule to determine the deduction.

Assets used in your profession or occupation must be depreciated under the straight-line method.

An automobile may be depreciated over a 3 year period if it is used only in sales activities, and over a 5 year period if it is used for other purposes. The maximum basis to determine the amount to be deducted for automobile depreciation will be \$25,000. These rules apply to automobiles leased with a purchase option. In case of ordinary leases, the total amount of rent paid will be considered as basically equivalent to current depreciation, and a deduction is allowed for that part of the rent paid related to your employment.

If the automobile is used by the taxpayer in his/her industry or business, or for the production of income as an employee, and for personal purposes, the deduction for depreciation will be reduced by the amount applicable to personal use.

**Line 2(G)** - Enter other ordinary and necessary expenses related to your profession or occupation. **Expenses incurred for traveling from your residence to your place of work or vice versa are not deductible.**

When an employee is transferred from one location to another by request of the employer, and receives a payment for such transfer, or that of his/her family or personal belongings, the amount so paid will be deductible from the employee's gross income. If the payment represents an allowance, the expenses paid or incurred by the employee for his/her transfer can be claimed as ordinary and necessary expenses up to the limit of

\$1,500 (\$750 if married filing separately) or 3% of the salaries, whichever is smaller. Otherwise, if the payment represents a reimbursement, the expense actually paid or incurred can be deducted up to the amount reimbursed by the employer. Any excess paid with respect to the expenses actually incurred will be included in the employee's gross income for the taxable year in which said excess was received.

If the transfer is made for the exclusive benefit of the employee, any concession received will be included in the gross income and such expenses are not deductible.

The expenses reimbursed must be informed by the employer on the Withholding Statement (Form 499R-2/W-2PR, Part 13).

**Line 3** - Enter the sum of lines 1(E) and 2(K). This is the total amount to be used to determine the ordinary and necessary expenses to be deducted.

**Submit this Schedule with your return.**

### SCHEDULE J INDIVIDUAL - MEDICAL EXPENSES AND CHARITABLE CONTRIBUTIONS

Use this Schedule to determine the deduction for medical expenses and charitable contributions that you will claim on your return. You must provide a detail of each medical expense or contribution that you made during the year.

See full details for those deductions in the instructions to complete Schedule A Individual, Part I, lines 8 and 9.

It is very important to enter the name and address of the person or organization to whom the payment was made and the amount paid. **Evidence to support your payment must be kept for your records.**

If you claimed any of these two deductions, **submit this Schedule with your return.** Transfer the amount of the allowable deduction for medical expenses from line 4 to Schedule A Individual, Part I, line 8. Transfer the amount of the deduction allowable for charitable contributions from line 11 to Schedule A Individual, Part I, line 9.

### SCHEDULES K INDIVIDUAL, L INDIVIDUAL, M INDIVIDUAL AND N INDIVIDUAL

Use these Schedules if you had income from:

- |                                |                       |
|--------------------------------|-----------------------|
| 1) Industry or Business        | Schedule K Individual |
| 2) Farming                     | Schedule L Individual |
| 3) Professions and Commissions | Schedule M Individual |
| 4) Rent                        | Schedule N Individual |

**Said Schedules provide spaces to inform only one source of income. Therefore, if you have more than one source of income, you must complete a separate**

**schedule for each one. You must also indicate in the provided space, if the reported income on such schedule constitutes income from your principal industry or business.**

Also, you must consolidate the gain or benefit determined in Part II of the applicable schedules corresponding to the same source of income, and transfer the total amount to the applicable line on page 1, Part 2 of the return.

For example, in the case of a taxpayer who files a joint return, and he is a lawyer and she is a physician, they will use two Schedules M Individual to determine the income and expenses for each one of the professions, and then will transfer the sum of line 5 of said schedules to page 1, Part 2, line 2 O of the return.

In the case of earning income from professions and commissions, you must use a separate Schedule M Individual for each one of these concepts and fill in completely the corresponding oval. Also, you must use a Schedule M Individual for each source of income.

If the taxpayer has a supermarket and a gas station, he or she will use two Schedules K Individual to detail the income and expenses, and then will transfer the sum of line 9 of said schedules to page 1, Part 2, line 2M of the return.

If you receive income from of a sole proprietorship derived from an industry or business, agriculture, professions, rents or commissions, and your income from the sole proprietorship was \$400 or more during the year, you must file with the Internal Revenue Service (IRS) the U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit For Bona Fide Residents of Puerto Rico) (Form 1040-SS).

Form 1040-SS is used to inform the sole proprietorship income and to pay any tax due. Also, the Social Security Administration use the information included on Form 1040-SS to compute the social security benefits of the persons who work as a sole proprietorship. For additional information you can call the IRS at 1-800-829-1040.

### PART I - QUESTIONNAIRE

Every taxpayer engaged in a trade or business must submit the information requested in the questionnaire of Part I. You must include your employer's identification number, assigned by the **FEDERAL INTERNAL REVENUE SERVICE (IRS).**

**If you are engaged in a trade or business** and your operations are covered by a tax exemption decree under Act No. 26 of June 2, 1978 (Puerto Rico Industrial Incentives Act), Act No. 8 of January 24, 1987 (Puerto Rico Tax Incentives Act), or by a resolution issued under Act No. 148 of August 4, 1988 (Special Act for the Rehabilitation of Santurce), Act No. 78 of September 10, 1993 (Puerto Rico Tourism Development Act), Act No. 75 of July 5, 1995 (Special Act for the Rehabilitation of Río Piedras), Act No. 14 of March 15, 1996 (Special Act for the Development of Castañer), or Act No. 135 of December 2, 1997 (Tax Incentives Act of 1998), a Film Entity operating under Act No. 362 of December 24, 1999 (Act for the Film

Industry Development), or a Theatrical Business operating under Act No. 178 of August 18, 2000 (Act for the Creation of the Theatrical District of Santurce), fill in completely the corresponding oval and indicate the case or concession number, if applicable. If you are not covered by a decree or resolution, you must fill in completely the oval which indicates "Fully Taxable".

**If you are engaged in a farming business**, the Code establishes a special deduction of 90% of the net income from an agricultural business of a bona fide farmer who has a valid or a current certification issued by the Secretary of Agriculture of Puerto Rico. To be eligible for this deduction, you must derive at least 50% of your gross income from farming activities as an operator, owner or lessee, and keep for your records copy of the current certification issued by the Secretary of Agriculture. That deduction will be entered in Part II, line 10 of Schedule L Individual. If you are eligible, you must fill in completely the corresponding oval.

If you elected to receive the tax benefits granted by the Puerto Rico Agricultural Tax Incentives Act (Act No. 225 of 1995), as amended, you will have a 90% tax exemption as long as you have derived at least 50% of the gross income from agricultural activities, and keep for your records a copy of the current bona fide farmer certificate issued by the Secretary of Agriculture. In order that this exemption be granted, you must fill in completely the applicable oval. **It is important to indicate that you cannot claim both benefits at the same time.**

**Income from a Film Entity** derived directly from a Film Project or Infrastructure Project will be subject to a fixed tax rate of 7%, in lieu of any other tax imposed by Law. **For more details refer to Act No. 362 of December 24, 1999.**

## PART II - DETERMINATION OF GAIN OR LOSS

If you received income from industry or business, agriculture, professions and commissions or rents, use Parts II and III to provide the information related to those activities.

On Schedule K Individual, Part II, line 6, Schedule L Individual, Part II, line 8, and Schedules M Individual and N Individual, Part II, line 4, you must include the carryover **Net Operating Losses from Previous Years**. On this line you may include the net loss from previous years operations carryover of your principal activity from which the income was derived. If there is a balance from the loss of the activity which is your principal source of income, said balance will be transferred to Part 2, lines 2M through 2P of the return, as applicable. You may reduce any income from other sources, **except from salaries or pensions**. The balance from business losses which are not your principal source of income will be carried over to future years and may be deducted only against the income derived from the same activity that produced the loss.

See full details for the **treatment of losses** of the industry or business on the **INSTRUCTIONS TO COMPLETE THE LONG FORM RETURN: Part 2, line 2 - Other Income (or Losses)**.

## Schedule K Individual

If during the taxable year you were engaged in the **operation of an activity that qualifies as a theatrical business**, as provided by Act No. 178 of August 18, 2000, you must file this Schedule. However, if you derived income from the sale of admission tickets for artistic or cultural shows, as well as other sources, you must file two Schedules K Individual. That is because half (50%) of the income derived from the sale of admission tickets is exempt from the payment of income tax. On one Schedule K Individual you must inform the partially exempt income, and on the other the fully taxable income.

It is important to point out that **expenses related with the theatrical business operation** should be assigned in the proportion that such expenses bear with each source of income. Make sure to indicate in Part I of this Schedule, Act No. 178 of 2000.

**Line 8-** If you derived income from an industry or business covered by a tax exemption decree granted under any tax incentives act, indicate the tax exemption percent (%) granted in you decree. Multiply the amount on line 7 by the corresponding exemption percent granted, and enter the result on this line.

**Line 9 -** If you derived income from the conduct of a Film Project or Infrastructure Project that comply with the requirements provided by Act No. 362 of 1999, or if you received income derived from a business with a tax exemption decree under the provisions of Act No. 135 of 1997, **you will not transfer the income determined on this line** to Part II, line 2M of the return.

**You must be sure to indicate in Part I of this Schedule, Act No. 362 of 1999 or Act No. 135 of 1997.**

**Line 10 -** If you derived income from activities covered by Act No. 362 of 1999, multiply line 9 by 7% and enter the result on this line. Transfer this amount to page 2, Part 4, line 24 of the return.

On the other hand, if the income is derived from activities covered by an exemption decree under Act No. 135 of 1997, multiply line 9 by the special tax rate granted in the decree (10%, 7%, 4%, 2% or other). For these cases it is necessary to indicate the number of the case or decree that grants you the special rate.

## Schedule N Individual

**Line 6 -** If you derived income from an industry or business covered by a tax exemption decree granted under any tax incentives act, indicate the tax exemption percent (%) granted in you decree. Multiply the amount on line 5 by the corresponding exemption percent granted, and enter the result on this line.

**Line 7 -** If you derived income from the operation of a business covered by a tax exemption decree under Act No. 135 of 1997, **you can not transfer the income determined on this line** to Part 2, line 2P of the return.

**To claim this special tax rate, you must make sure to indicate in Part I of this Schedule, Act 135 of 1997.**

**Line 8** - If you derived income from activities covered by a tax exemption decree under Act No. 135 of 1997, multiply line 7 by the tax rate granted in the decree (10%, 7%, 4%, 2% or other). You must indicate the number of the case or decree that grants you the special rate. Transfer this amount to page 2, Part 4, line 24 of the return.

### PART III - OPERATING EXPENSES AND OTHER COSTS

It is allowed a reasonable deduction for those ordinary and necessary expenses incurred for the production of income related to your business.

**The salaries deduction** will be verified by an electronic system in order to determine if the amounts claimed agree with the Withholding Statements and the forms that must be filed by the employers.

The Code allows a **deduction for contributions to pension plans or other qualified plans**. To claim the deduction for contributions made to any of said plans, it will be necessary to keep for your records the information required by the Regulations under the Code.

The contributions made to a qualified plan for the benefit of an individual, commonly known as "*Keogh Plans*", cannot exceed 25% (15% if a profit sharing plan) of your earned income without considering said deduction. Because this deduction and the amount of net profits from sole proprietorship income depend on each other, it is required to adjust the amount of said net profits. This adjustment can be determined indirectly through the reduction in the percentage of contributions made, attributable to said individual. The contribution's adjusted percentage and the deduction for contributions can be determined as follows:

(A) Percentage of contributions according to the plan	%
(B) Percentage in (A), reflected in decimal, plus 1	1._
(C) Adjusted percentage (divide (A) by (B))	%
(D) Net gains (without adjustment)	\$
(E) Maximum deduction (multiply (D) by (C))	\$

Up to 50% of the total amount for **meals and entertainment expenses** incurred or paid during the year may be deducted. **However, said deduction cannot exceed 25% of the gross income.**

The Code provides a **\$400 deduction for employers from private industries for each severely disabled person** that is employed for at least 20 hours per week for nine months during the taxable year. This deduction will be allowed for up to five severely disabled persons employed. The regulations in force applicable from the Vocational Rehabilitation Program of the Department of the Family, will be used for the definition of the term "severely disabled person".

You must keep for your records:

- 1) a certification indicating that the person for which the deduction is claimed, has been an employee for at least nine months of the taxable year in which the deduction is claimed, and
- 2) a certification issued by the Secretary of the Department of the Family, indicating that the individual for which the deduction is claimed is a severely disabled person, in accordance to the regulations and procedures of said Department.

The contributions made by an employer to an Educational Contribution Account, for a beneficiary designated by an employee, are deductible as part of the operating expenses of the industry or business, as long as the requirements established by law are met.

Every employer may claim annually as an operating expense of the industry or business, an amount equal to a month of salary for each employee to which you have granted the right to nurse their babies or express their maternal milk during 30 minutes or two periods of 15 minutes daily.

Every industry or business that meets the requirements established in Act. No. 212 of August 29, 2002, as amended (Act No. 212), that creates new employments as part of a urban center rehabilitation process, will be entitled to a special additional deduction equivalent to 5% of the minimum salary applicable to each new employment created. Also, the transfer of your business with a minimum of 5 employees to a urban center will entitle you to an additional deduction equivalent to 15% of the payroll expenses related to the employees transferred during the year in which the business was transferred. The limit for this deduction will be 50% of the net income according to the Code, adjusted by the special deductions provided by Act No. 212, without considering this deduction.

These deductions will be available for a term of 5 years from the taxable year in which the taxpayer applies for these benefits. You must keep for your records a certification issued by the Territorial Ordinance Office or from the City Planning Director indicating the name, social security number, and minimum salary for each new employment created; or name and account number of the transferred business, its previous location, name and social security number of the transferred employees, and the amount of payroll related to said employees. For both deductions you must also specify the taxable year in which you applied for these benefits and their due dates. Also, the accelerated depreciation of the construction cost is allowed.

For details of these special deductions you must refer to Act No. 212 and the Internal Revenue Circular Letter No. 04-04.

The Code provides to **taxpayers with businesses in the Rio Piedras center**, a special additional deduction of 50% up to \$1,000 from the total amount paid for utility services that constitute operational expenses. Said deduction is limited to a period of three years from the first taxable year beginning after December 31, 2002.

Those expense items for which there are no specific spaces provided in Part III, will be added and entered as **Other Expenses. Keep for your records a schedule detailing such expenses.**

**Submit with your return the Schedules that you have used.**

### SCHEDULE O INDIVIDUAL - ALTERNATE BASIC TAX

If you have an adjusted gross income of \$75,000 or more (\$37,500 if married filing separately), you must complete this Schedule.

An alternate basic tax will be assessed, determined in accordance to the following table, when the same is larger than the regular tax:

Adjusted Gross Income:	Tax rate:
From \$75,000 to \$125,000	10%
Over \$125,000, but not over \$175,000	15%
Over \$175,000	20%

If you file separate returns, the indicated adjusted gross income levels will be reduced to 50% for purposes of the alternate basic tax.

### SCHEDULE P INDIVIDUAL - GRADUAL ADJUSTMENT

In the case of taxpayers whose net taxable income is over \$75,000 (\$37,500 if married filing separately), the Code provides for a gradual adjustment to the lower tax rates applicable to income under \$75,000 (\$37,500 if married filing separately) and the gradual elimination of personal exemption and exemption for dependents. If the net taxable income in Part 3, line 14 of the return is more than \$75,000 (\$37,500 if married filing separately), it will be subject to this adjustment.

### SPECIAL SCHEDULE R - SPECIAL PARTNERSHIP

Part I of Schedule R is used every year to determine the taxpayer's basis in each special partnership. Part II of this schedule is used in those taxable years in which the taxpayer claims his/her distributable share on the special partnership's losses in the current year, as well as those losses carried over from previous years. Part II provides for the reduction of the carryover losses by the distributable share on income and profits attributable to the partner during the year.

You must complete this Schedule annually irrespectively the Special Partnership has derived gains or losses.

### PART I - ADJUSTED BASIS DETERMINATION OF A PARTNER IN ONE OR MORE SPECIAL PARTNERSHIPS

**Line 1** - Enter the amount from Part I, line 4 of previous year Schedule R.

The basis of a partner's share from a Special Partnership will be the amount of cash, or the adjusted basis of any property that is not considered cash, contributed to said partnership.

This basis will be adjusted by the following entries or transactions made during the current taxable year and others included on previous year income tax return.

### Line 2 - Basis increase

(a) Enter the partner's distributable share on previous year's income and profits.

For example, in the case of a taxpayer with a calendar taxable year, enter the total distributable share on the special partnership's income or profit included on the income tax return filed on April 15 of previous year (or later if you requested an extension of time to file your return). This amount must be the same as the one shown on line 7, Part II of Schedule R included on previous year's income tax return.

(b) through (d) These entries are from the current taxable year.

(e) Enter the proportion of income or gain attributable to your share on the income from agriculture earned by the special partnership, which is tax exempt under Section 1023(s) of the Code.

(f) Enter other income or gains like for example, the distributable share on the dividends and interest received by the special partnership.

### Line 3 - Basis decrease

(a) Enter the distributable share on the loss attributable to the partner in previous year. For example, in the case of a taxpayer with a calendar taxable year, enter the total distributable share on the special partnership's loss included on the income tax return filed on April 15 of previous year (or later if you requested an extension of time to file your return). To determine the total loss claimed on previous year's return, add lines 5(c), 8 and 13 of Part II from Schedule R included on previous year return. In order to add lines 5(c), 8 and 13 use the parenthesis for line 8, if the excess is a loss. For example, if line 5(c) is \$12,000, line 8 (\$2,000) and line 13 \$1,000, the result will be \$11,000 (\$12,000 + (\$2,000) + \$1,000).

(b) The distributable share on special partnership's capital assets loss.

(c) Distributions made to the partner by the Special Partnership, whether in cash or in property, including tax exempt income.

(d) The amount claimed as credit against the income tax on previous taxable year for investments made in special partnerships engaged in the production of feature films or under the Puerto Rico Tourism Development Act of 1993, the Puerto Rico Capital Investment Fund Act, the Puerto

Rico Agricultural Tax Incentives Act, as amended, or any other credit admitted by law to the partners related to the Special Partnership's activities.

- (e) The amount claimed as credit against the income tax for withholding of tax at source from the distributable share made to a resident partner (33%) or to a nonresident alien partner (29%).
- (f) Any expense from the Special Partnership not allowed as a deduction while determining your net income and that is not capitalized.
- (g) The distributable share on net losses from tax exempt operations under the Tourism Incentives Act of 1983 and the Tourism Development Act of 1993.

**Line 4** - If the amount on this line is less than zero, enter zero.

## PART II - DETERMINATION OF PARTNER'S ALLOWABLE LOSSES IN ONE OR MORE SPECIAL PARTNERSHIPS

If the Special Partnership derived losses, the partner may claim such losses as a deduction from salaries, pension or any other income. Said loss will be limited to the adjusted basis of the partner's share in the partnership at the end of the taxable year in which the loss of the partnership occurred, or up to 50% of the taxpayer's net taxable income determined without considering said loss (see instruction for line 11), whichever is smaller.

The adjusted basis limitation will be determined for each one of the Special Partnerships in which the partner invests.

If the deduction allowed to the partner for any taxable year is smaller than his/her distributable share in the partnership's net loss, the partner may claim said excess as a deduction in any subsequent taxable year, subject to the smaller of the previously mentioned limitations.

**Line 5(a)** - Enter the amount distributed from the partner's loss in accordance to his/her share percentage in the Special Partnership. This amount is informed to the partner on Form 480.6 SE.

**Line 5(b)** - Enter the carryover losses which were not claimed in previous years due to the limitation. This amount must be the same as the one shown on line 14, Part II of Schedule R included on previous year's income tax return.

If a partner possesses shares in losses from more than one Special Partnership, the balance subject to the loss carryover, as determined on the previous taxable year, will be proportionally attributed to the loss of each one of the partnerships. Said attribution will be done by using as factor the adjusted basis of the partner's share in each one of the partnerships at the end of the previous taxable year.

**Line 6** - Enter on this line the amount determined in Part I, line 4. If the special partnership has an exemption decree under the Puerto Rico Tourism Incentives Act or the Puerto

Rico Tourism Development Act, you may use the debts of the Special Partnership in proportion to your share, to increase your adjusted basis, only to claim losses of the Special Partnership from this activity.

**Line 7** - Enter the partner's distributable share on the income and profits derived from the Special Partnership during the year. This amount is reflected on Form 480.6 SE.

**Line 8** - If the amount on this line is a loss, use the parenthesis.

**Line 9** - Enter the smaller of the amounts on lines 6(c) and 8. This will be the maximum amount to which the partner is entitled to claim as a deduction for losses during this taxable year.

**Line 10** - Enter the result of the computation from line 9. In cases in which the partner has losses in more than one partnership, enter the result of the sum of line 9, Columns A through C. This is the total amount of losses to claim for this taxable year.

**Line 11** - Subtract from the Adjusted Gross Income (without considering the losses from Special Partnerships), the standard or itemized deduction and the additional deductions. This will be the net income subject to the computation of line 12.

**Line 12** - Enter 50% of line 11. This limitation determines which amount you will claim on this year's return from the total loss on line 10.

**Line 13** - Enter the smaller of line 10 or 12. This is the amount that you may deduct on your return this year.

## SCHEDULE T INDIVIDUAL – ADDITION TO THE TAX FOR FAILURE TO PAY ESTIMATED TAX IN CASE OF INDIVIDUALS

Use this schedule to determine the addition to the tax for failure to pay estimated tax and to determine the penalty for substantial underestimate of estimated tax.

### PART I – PENALTY FOR SUBSTANTIAL UNDERESTIMATE OF TAX

**Line 2** – Include the total of credits corresponding to foreign taxes paid, withholding at source on: payments for services rendered, income in case of non resident individuals, salaries, distributable share from a special partnership or a Subchapter N corporation of individuals and payments from judicial or extrajudicial indemnification. Also include the credit for contributions to the Educational Foundation established by Act No. 80 of July 19, 1995, known as the "Educational Foundation for Free Selection of Schools Act" and other similar credits provided by the Code or any other special act that may be applicable. Include also the amount paid in excess in prior years that you elected to credit to the estimated tax for the taxable year. Add line 21, Part II of Schedule B Individual, lines 2 through 18, Part III of Schedule B Individual and lines 32A and 32B, Part 4, page 2 of the return.

**Line 3** – If the amount of estimated tax to be paid is \$200 or less, you are not required to file an Estimated Tax Declaration, thus, do not complete this Schedule.

**Line 4** – If you are a farmer and elected the provisions under Section 1061 of the Code, then multiply line 1 by 66 2/3%.

**Line 5** – Enter the total of estimated tax installments paid for the current taxable year (Schedule B Individual, Part III, line 1).

**Line 6** – Enter the estimated tax to be paid informed on the Estimated Tax Declaration after considering the estimated credits for amounts withheld or paid and the credit for tax paid in excess (Estimated Tax Declaration (Form 480-E, line 5)).

If after filing the Estimated Tax Declaration on time, an amended declaration is filed, enter the amount as amended.

The penalty for substantial underestimate of the estimated tax is not applicable on the return of a taxpayer deceased during the taxable year. In this case, continue with Part II or III, as applicable.

**Line 8** – Determine the estimated tax based on the information of the immediate previous year return, except that regarding the personal exemption and the exemption for dependents, they must be determined according with your status at the date of filing the declaration for the current year. For purposes of this computation, you must use the current year tax rates. If you were not required to file an income tax return for the immediate previous year, enter zero.

Example:

At the moment of filing the Estimated Tax Declaration, the taxpayer is married with a non university dependent. The information of 2003 income tax return is:

	2003 individual income tax return (single without dependents)
Professional services	\$80,000
Dividends subject to withholding	850
Itemized deductions	5,500
Additional deductions	3,200
Personal exemption	1,300
Exemption for dependents	0
Withholding on professional services	1,500
Withholding on dividends	85
Tax to be paid	\$14,290

The estimated tax for 2004, based on 2003 income tax return information, but the personal exemption and exemption for dependents at the moment of filing the 2004 Estimated Tax Declaration and according with 2004 tax rates would be:

	2003 individual income tax return (single without dependents)
Professional services	\$80,000
Dividends subject to withholding	850
Itemized deductions	5,500
Additional deductions	3,200
<b>Personal exemption when filing the declaration</b>	<b>3,000</b>
<b>Exemption for dependents when filing the declaration</b>	<b>1,600</b>
Withholding on professional services	1,500
Withholding on dividends	85
<b>Estimated Tax - 2004</b>	<b>8 \$13,201</b>

**Line 9** – If the estimated tax paid in **each installment** is equal or more than the estimated tax per installment using the information of the immediate previous year income tax return, as determined on line 8, and **the amount of each tax installment was made on time** (on or before the 15<sup>th</sup> day of the fourth month, sixth month, ninth month of the taxable year and the 15<sup>th</sup> day of the first month following the close of the taxable year), the penalty for substantial underestimate of estimated tax is not applicable.

**Line 10** – If the total of estimated tax, the credits and the excess payments is equal or more than 90% of the current year tax, the penalty for substantial underestimate of estimated tax is not applicable.

## PART II – ADDITION TO THE TAX FOR FAILURE TO PAY – SHORT METHOD

This method can be used if you meet **all** the following requirements:

1. you are required to pay estimated tax from the first installment;
2. no payment has been made or the four equal estimated payments have been realized at the moment of their respective due dates and their total is less than the estimated payment required;
3. a request for extension of time to file the Estimated Tax Declaration has not been filed;
4. an Amended Tax Declaration has not been filed; and
5. the estimated tax not paid is met in the due date to file the income tax return, without considering any extension of time for the payment.

**Line 13** – If an Estimated Tax Declaration was filed on or before April 15 (15<sup>th</sup> day of the fourth month of the taxable year, if you have a fiscal year), enter the declared estimated tax to be

paid. If an Estimated Tax Declaration was not filed or if it was filed after April 15, enter the amount from line 3.

### PART III – ADDITION TO THE TAX FOR FAILURE TO PAY – ORDINARY METHOD

#### Section A – Failure to Pay

Fill in completely the oval for calendar year if your taxable year ends on December 31, otherwise, fill in the oval which indicates fiscal year. If you filled in the oval for fiscal year, enter in Columns (a), (b), (c) and (d), the date corresponding to the 15<sup>th</sup> day of the fourth month, sixth month, ninth month of the taxable year and of the first month following the close of the taxable year, respectively.

If you filed an extension of time to file the Estimated Tax Declaration, enter in Column (a) the date granted to file the declaration.

**Line 16** – If the obligation to file the Estimated Tax Declaration was met **for the first time** before the first day of the fourth month of the taxable year or if you were required to file an Estimated Tax Declaration during the previous taxable year, and you filed an Estimated Tax Declaration on or before the 15<sup>th</sup> day of the fourth month of the taxable year, enter in each one of the columns 25% of the declared estimated tax to be paid, otherwise, enter 25% of line 3. If the obligation was met **for the first time** after the last day of the third month and before the first day of the sixth month of the taxable year, and you filed an Estimated Tax Declaration on or before the 15<sup>th</sup> day of the sixth month of the taxable year, enter in Columns (b), (c) and (d) 33% of the declared estimated tax to be paid, otherwise, enter 33% of line 3. If the obligation was met **for the first time** after the last day of the fifth month and before the first day of the ninth month of the taxable year, and you filed an Estimated Tax Declaration on or before the 15<sup>th</sup> day of the ninth month of the taxable year, enter in Columns (c) and (d) 50% of the declared estimated tax to be paid, otherwise, enter 50% of line 3. If the obligation was met **for the first time** after the last day of the eighth month and you filed an Estimated Tax Declaration on or before the 15<sup>th</sup> day of the first month following the taxable year, enter in Column (d) 100% of the declared estimated tax to be paid, otherwise, enter 100% of line 3. If you are a farmer and elected the provisions under Section 1061 of the Code, and filed an Estimated Tax Declaration on or before the 15<sup>th</sup> day of the first month following the taxable year, enter in Column (d) 100% of the declared estimated tax to be paid, otherwise, enter 100% of line 3.

If after filing an Estimated Tax Declaration on time, an amended declaration is filed, enter the amount of the installment according with the corresponding amendment.

**Line 17** – Enter in Column (a) the amount of estimated tax paid not later than April 15 of the taxable year (the 15<sup>th</sup> day of the fourth month of the taxable year if you have a fiscal year); in Column (b), the estimated tax paid after April 15 of the taxable year (the 15<sup>th</sup> day of the fourth month of the taxable year if you have a fiscal year) and not later than June 15 of the taxable

year (the 15<sup>th</sup> day of the sixth month of the taxable year if you have a fiscal year); in Column (c), the estimated tax paid after June 15 of the taxable year (the 15<sup>th</sup> day of the sixth month of the taxable year if you have a fiscal year) and not later than September 15 of the taxable year (the 15<sup>th</sup> day of the ninth month of the taxable year if you have a fiscal year); and in Column (d), the estimated tax paid after September 15 of the taxable year (the 15<sup>th</sup> day of the ninth month of the taxable year if you have a fiscal year) and not later than January 15 following the taxable year (the 15<sup>th</sup> day of the first month following the taxable year if you have a fiscal year).

**Line 18** – If various payments were made in the periods described in the instructions for line 17, indicate the amount and date of the payments.

**Line 19** – To determine the amounts to be entered in Columns (b), (c) and (d), you must complete lines 19 through 25 of previous column.

#### Section B – Penalty

**Line 26** – 10% of the estimated tax of each installment due but not paid will be added to the tax.

**Line 27** – If the failure to pay on line 22 was covered in only one payment (or overpayment) after its due date, enter the months or fraction thereof (except the first month), elapsed from the date in which the estimated tax installment must have been paid and the date in which the payment was made. For example, if the first installment was due on April 15 and the payment was made on October 25, the months or fraction thereof elapsed, except the first month, will be 6.

Any overpayment, after covering the estimated tax payment of the corresponding installment, will be attributed first to the amount of estimated tax of previous installments due and not paid and then to the subsequent installments.

If line 22 is larger than zero and the failure to pay was covered with two payments, overpayments or a combination of those, **do not write anything on this line** and complete Columns (a), (b), (c), (d) and (e) of the tables in Part V, page 2 of this Schedule. Determine the months or fraction thereof (except the first month), elapsed from the due date of the estimated tax installment and the date of each one of the payments or overpayments applied.

The date of the overpayment applied, will be the date in which the payment that caused such overpayment was made.

**Line 28** – If line 22 is larger than zero and the failure to pay was covered with two payments, overpayments or a combination of those, **do not write anything on this line**.

**Line 29** – Regarding each one of the installments due but not paid, 2% of the amount not paid of such installments will be added, for each month (except the first month) or fraction thereof during which such amount remained unpaid. Each fraction of month will be considered as a complete month.

If line 22 is larger than zero and you had to use the tables of Part V, page 2 of this Schedule, enter in Columns (a), (b), (c) and (d), the total of Table 1, Table 2, Table 3 and Table 4, respectively.

**Line 31** – Enter here 20% of the amount of the installment due that had not been paid by its due date.

**PART V – TABLES TO CALCULATE THE ADDITION TO THE TAX FOR FAILURE TO PAY THE INSTALLMENTS OF ESTIMATED TAX**

Calculate the penalty for each one of the amounts due by the dates of their respective payments, using the tables on page 2 of this Schedule.

Example:

The estimated tax declared for the current year was \$3,200, thus, the taxpayer had to make four estimated tax installments for 4/15, 6/15, 9/15 of the current year and 1/15 of the following taxable year of \$800, respectively. The following payments were made:

Date	Amount
4/15	500
5/30	150
6/15	800
9/15	900
1/15	800

The declared estimated tax was totally met by the date prescribed by the Code to file the income tax return, without considering any extension of time. Therefore, the taxpayer paid the total tax for the current year on April 15 following the closing of the taxable year. The calculation of line 29 will be:

**TABLE 1 - Payments to Meet the First Installment Made After its Due Date (4/15)**

Amount due and not paid before the payment	Amount of payment or overpayment	Date of payment or overpayment	Months or fraction thereof (except the first month) from its due date	Multiply (a) by (d) by 2%
(a)	(b)	(c)	(d)	(e)
\$300	\$150	5/30	1	\$6
150	100	9/15	4	12
50	50	4/15	11	11
<b>Total: Add Column (e) and transfer to Part III, line 29, Column (a) .....</b>				<b>\$29</b>

Line 22 of Column (a)

Subtract the amount in Column (b) of the preceding line from the amount in Column (a) of the preceding line.

**FORM 480-E - ESTIMATED TAX DECLARATION**

**IMPORTANT NOTICE**

**Do not send this declaration with the return. This Declaration must be filed separately at the Internal Revenue Collections Office of the Municipality where you reside or you can mail it to:**

**DEPARTMENT OF THE TREASURY  
RETURNS PROCESSING BUREAU  
PO BOX 9022501  
SAN JUAN PR 00902-2501**

**WHO MUST FILE THE ESTIMATED TAX DECLARATION?**

Every person:

- ☞ single, married not living with his or her spouse, or married filing separately whose gross income from sources not subject to withholding exceeds 50% of his/her total estimated gross income from all sources, or \$5,000; or
- ☞ married living with his or her spouse whose combined gross income from sources not subject to withholding exceeds 50% of their total estimated gross income from all sources, or \$10,000.

**However, if the total amount of tax is \$200 or less, you are not required to file an estimated tax declaration.**

If you only derive income from the following sources, you are not required to file an estimated tax declaration:

- ☞ wages from an agricultural business not subject to withholding;



- ☞ dividend distributions, partnership's profits and interest subject to withholding;
- ☞ compensation received for services rendered to the Government of the United States subject to withholding of tax at source, for purposes of the Government of the United States;
- ☞ lump-sum distributions from qualified pension plans over which the corresponding withholding of tax at source was made.

## INSTRUCTIONS TO PREPARE THE ESTIMATED TAX DECLARATION FOR INDIVIDUALS

The Estimated Tax Declaration (Form 480-E) must be filed not later than the 15th day of the fourth month of the taxable year, except when the requirements to file are met for the first time:

- 1) after the last day of the third month and prior to the first day of the sixth month of the taxable year, the filing date will be not later than the 15th day of the sixth month of the taxable year; or
- 2) after the last day of the fifth month and prior to the first day of the ninth month of the taxable year, the filing date will be not later than the 15th day of the ninth month of the taxable year; or
- 3) after the last day of the eighth month of the taxable year, the filing date will be not later than the 15th day of the first month of the following taxable year.

Every taxpayer required to file the Declaration, must enter his/her name, address and social security number, and fill in completely the applicable oval to indicate if the same is amended. Also, you must specify the taxable year to which the payments of estimated tax will be applied, as well as the type of taxpayer.

**Line 1** - Determine the estimated tax to be paid for the indicated taxable year.

The estimated income tax shall be determined applying current income tax rates and based on the taxpayer's personal exemption and the exemption for dependents at the date of filing the declaration for the current taxable year, but as to the rest, based on the information of the immediate previous year return.

**Line 2** - Enter as estimated credit the amounts withheld for services rendered, salaries and interest, distributable share of income from partnerships, special partnerships and Subchapter N corporations of individuals, payments for indemnification received from judicial or extrajudicial procedures, contributions to the Educational Foundation for Free Selection of Schools, and the tax withheld under the Puerto Rico Tax Incentives Act of 1987 and the Puerto Rico Tourism Development Act of 1993, or any other credit.

If you are filling out an Amended Estimated Tax Declaration, also enter on this line the total amount of the installments paid, if any, before said amendment.

**Line 4** - Enter as credit the tax paid in excess on the income tax return of the previous year, to be applied as payment of estimated tax. If you choose to claim this credit against one of the determined installments, enter zero and go to line 5.

**Line 6** - Divide the result from line 5, by the number of remaining installments.

**Line 7** - Enter here the tax paid in excess applied as payment of estimated tax on the income tax return of the previous year, that you will claim against the amount of any installment. If you already considered this credit on line 4, you cannot consider it again.

## PAYMENT OF TAX

If the Declaration is filed not later than the 15th day of the fourth month of the taxable year, the estimated tax will be paid in four equal installments:

1st installment:	15th day of the fourth month
2nd installment:	15th day of the sixth month
3rd installment:	15th day of the ninth month
4th installment:	15th day of the first month of the following taxable year.

If you file the Declaration after the 15th day of the fourth month and prior to the 15th day of the sixth month of the taxable year, the installments will be:

1st installment:	15th day of the sixth month
2nd installment:	15th day of the ninth month
3rd installment:	15th day of the first month of the following taxable year.

If you file after the 15th day of the sixth month, and prior to the 15th day of the ninth month of the taxable year, the installments will be:

1st installment:	15th day of the ninth month
2nd installment:	15th day of the first month of the following taxable year.

If you file after the 15th day of the ninth month, the estimated tax will be paid in its entirety on the 15th day of the first month of the following taxable year.

The estimated tax installments will be paid along with a payment coupon (Forms 480.E-1 or 480.E-2). Taxpayers who filed a Declaration in the previous year, will receive a booklet containing 4 coupons (Forms 480.E-2) with their name, address and social security or employer's identification number. Taxpayers who have not received the coupons booklet, must visit the Taxpayer Service Center (Office 101) of the Department of the Treasury in Old San Juan, where the payment coupons (Forms 480.E-1) will be prepared. For additional information, please call (787)721-2020, extension 3610.

The estimated tax payments will be made in the participating banks (if you have the pre-printed coupon), the Internal Revenue Collections Offices or in the Returns Processing Bureau at the address previously indicated.

Payments with checks in the participating banks must be made payable to the order of such banks. Payments with managers checks, checks or money orders at the Internal Revenue Collections Offices will be made payable to the Secretary of the Treasury.

### **EXTENSION OF TIME**

If for any justified reason, a taxpayer is not able to file the Declaration or pay the tax as indicated, he/she may request to the Secretary an extension of time to file said Declaration. The extension of time will be requested on Form SC 2650. No extension of time will be granted for a period larger than 3 months, except in cases of taxpayers who are outside of Puerto Rico.

### **AMENDMENTS TO THE ESTIMATED TAX DECLARATION**

If after filing the Declaration it is determined that the estimated tax will be substantially increased or reduced as a result of a change in income, personal exemption, exemption for dependents or for any other reason, an Amended Declaration must be filed. The Amended Declaration must be identified on the applicable box. The increase or reduction in the estimated tax must be proportionally distributed among the remaining installments. Any Amended Declaration filed after the 15th day of the ninth month following the beginning of the taxable year as a result of an increase on the tax previously estimated, must include the total amount of said increase. The Amended Declaration in this case will be unnecessary if on the date in which you are required to file said Declaration, the final income tax return had been filed and the income tax balance was paid.

### **FARMERS**

If 2/3 or more of an individual estimated gross income was derived from agricultural activities, the Declaration may be filed not later than January 15 of the following year, if the income tax return is filed on a calendar year basis, or not later than the 15th day of the month in which the following taxable year begins, if the income tax return is filed on a fiscal year basis. In that case, the tax must be paid in its entirety when filing the Declaration.

Farmers who file the income tax return not later than January 31 of the following year (if they file on a calendar basis), or not later than the last day of the month in which the following taxable year begins (if they file on a fiscal year basis) and pay in its entirety the total amount determined on the income tax return, are not required to file the Declaration.

### **PENALTIES**

The Code establishes penalties for not filing the Declaration and for not paying the estimated tax installments. Also, a penalty is assessed for determining a substantially lower amount of estimated tax.

## Occupational Codes

OCUPATION	CODE	OCUPATION	CODE
Accounts Adjuster	5243	Language Pathologist	6240
Accountant or Auditor	5412	Lawyer	5411
Advertising Agent	5417	Legislator and Mayor	9300
Architect	5415	Locksmith	5616
Artist, Actor, Dancer, Singer	7115	Mason	2381
Automotive Body and Related Repairer	4800	Mechanic and Automotive Technician	3321
Aviculturist	1123	Medical Assistant	6209
Butcher	4452	Medical Propagandist	6211
Cabinetmaker	3323	Medical Technologist	6216
Carpenter	3322	Military Man (Soldier)	8101
Carrier Worker	8102	Nurse	6212
Cashier	4213	Pharmaceutical Equipment Operator	6215
Computer Programmer	5110	Pharmacist or Pharmacy Assistant	6213
Construction Painter	2383	Pilot	8102
Construction Worker	2382	Planner	5421
Contractor	2360	Plumber	2384
Cook (Food Preparation Worker)	4212	Police Officer – State and Municipal	9315
Correction Officer and Jailer	9315	Postman and Messenger	3333
Customer Service Representative	4302	Private Guard	4300
Data Entry Operator	5108	Professional Athlete	7112
Drafter	5416	Professional Therapist	6217
Driver (Other)	4856	Professor – University	6112
Economist	5420	Psychologist	5422
Electric Equipment Operator	5111	Radio and Television Announcer	5131
Electrician	3324	Radiologist	6214
Embalmer and Gravedigger	8123	Real Estate Agent and Broker	5312
Engineer	5414	Refrigeration Technician	8106
Farmer	1110	Retail Sales Representative	4610
Financial Institution Clerk	5223	Retired – Pensioner	8130
Financial Manager and Supervisor	5222	Sales Manager and Supervisor	4214
Fireman	9314	Salesperson – Retail	4611
Flight Attendant	6115	Salesperson – Wholesale	4311
Forensic Pathologist	8124	School Administrator	6111
Garbage Man	8112	Scientist	5419
Gardener	8103	Secretary	8104
General Manager and Supervisor	4216	Securities Agent and Broker	5231
General Office Clerk	8111	Social Worker	6245
Generalist Physician	6208	Solderer	3119
Hairstylist, Barber and Cosmetologist	8121	Specialist Physician	6210
Heavy Equipment Operator	4857	Tapestry Maker	3120
Household and Domestic Services	8105	Teacher	6110
Industrial Equipment Operator	3101	Telephonic Equipment Operator	5112
Industrial Mechanic	3110	Teller	5221
Industry Manager and Supervisor	3100	Travel Agent	5615
Information Systems Manager	5109	Truck Driver	4855
Insurance Agent and Broker	5242	Veterinarian	5418
Janitor	5617	Waiter	4215
Judge	9301	Wholesale Representative	4310
Land Surveyor	5413	Other Work or Profession	8110



COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF THE TREASURY  
PO BOX 9022501  
SAN JUAN PR 00902-2501

PRESORTED STANDARD  
U.S. Postage  
PAID  
San Juan, P.R.  
Permit 3049

**IMPORTANT NOTICE:**

DO NOT FORGET TO WRITE YOUR SOCIAL SECURITY NUMBER IN THE CORRESPONDING BOX ON THE RETURN AND SCHEDULES. THIS NUMBER IS NECESSARY TO PROCESS YOUR RETURN.

IMPORTANT:

TAKE OFF AND USE THIS LABEL ON YOUR RETURN IF THE DATA IS CORRECT. IF THERE IS ANY INCORRECT INFORMATION ON THE LABEL, DISREGARD AND WRITE YOUR PERSONAL INFORMATION CORRECTLY ON YOUR TAX RETURN.