



GOVERNMENT OF PUERTO RICO
DEPARTMENT OF THE TREASURY

**Informative Return for
Income Tax Exempt Organizations**

Form 480.70(OE)

GENERAL INSTRUCTIONS

WHO MUST FILE THIS RETURN?

In general terms, **every** income tax exempt organization ("Nonprofit Organization") under Section 1101.01 of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"), must file the Informative Return for Income Tax Exempt Organizations (Form 480.70(OE)). Nevertheless, the following Nonprofit Organizations will not have to file this form:

- (1) A religious organization exempt under Section 1101.01(a) of the Code.
- (2) An exempt organization under Section 1101.01 of the Code, if such organization is a corporation wholly owned by the Government of Puerto Rico or any agency or instrumentality thereof, or a wholly owned subsidiary of such corporation.
- (3) A tax-exempt employees' Trust (Retirement Plan) under Section 1081.01 of the Code. These plans must comply with the provisions of Administrative Determination No. 16-05 regarding the filing of Form AS 6042.1 "Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions".

WHEN AND WHERE TO FILE THIS RETURN?

This return shall be filed not later than the 15th day of the sixth month following the close of the Nonprofit Organization's taxable year. Therefore, any organization that files its return based on a calendar year will have until Thursday, June 15, 2023 to file it.

The return must be filed electronically using any program or application certified by the Department of the Treasury ("Department"). In addition, you must submit electronically through the Internal Revenue Integrated System ("SURI", for its Spanish acronym), any evidence required by the Department to support any item included in the return. Said evidence must be submitted after having filed the return electronically, but no later than the fourth business day after the expiration date prescribed in the Code, to file the return, including extensions. In those cases in which the Nonprofit Organization files the return after its expiration date, the evidence will have to be filed on the fourth business day after having electronically filed said return. For more information related to the electronic filing process of the return, refer to Internal Revenue Circular Letter No. 23-09 of May 9, 2023.

You can file the return personally at the Department of the Treasury, Intendente Alejandro Ramírez Building in Old San Juan, or at any of the Internal Revenue Collections Offices located around the Island, **only** if any of the following exceptions to the electronic filing requirement applies:

- Organization whose Informative Return for Income Tax Exempt Organizations has not been signed and certified by a Returns, Declarations and Refund Claims Specialist ("Specialist").
- Organization that files an amended return and whose original return was filed on paper because it qualified under the exception to electronic filing.

Also, you can send it by mail to the DEPARTMENT OF THE TREASURY, PO BOX 9024140, SAN JUAN, PR 00902-4140, **only** if any of the previously established exceptions to the electronic filing requirement applies.

If the organization is required to file on paper, it is necessary to complete and submit with the return Form 483.60 - Exception to Electronic Filing Informative Return for Income Tax Exempt Organizations.

AUTOMATIC EXTENSION TO FILE THE RETURN

A six (6) month automatic extension of time to file the return will be granted if it is requested not later than the due date to file said return. This will be done through the electronic filing of Model AS 2644 through the taxpayer's account in SURI.

An extension of time to file the return does not extend the time for the payment of the tax, if any, corresponding to the unrelated business net income of the Nonprofit Organization.

For more information about the electronic filing process of the Application of Automatic Extension for taxable year 2022, refer to the Internal Revenue Circular Letter No. 23-05 of February 10, 2023.

GENERAL INFORMATION

The registered investment companies will be tax-exempt as long as they comply with the requirements established in Section 1112.01(a)(2) of the Code. In addition, the real estate investment trusts are tax-exempt only with respect to the income derived from: (a) interests received from liabilities secured by real estate mortgages; (b) interests, commissions, service charges, etc., related to the financing of such real estate. Consequently, registered investment companies as well as real estate investment trusts, must file the Corporation Income Tax Return (Form 480.20).

TECHNICAL ASSISTANCE

For additional information on the technical content of this booklet or to clarify any doubts, please call (787) 622-0123.

**SCHEDULES TO COMPLETE THE INFORMATIVE RETURN FOR
INCOME TAX EXEMPT ORGANIZATIONS**

The following schedules with their corresponding instructions are available at the Department's website: www.hacienda.pr.gov.

Schedule A Corporation - Alternative Minimum Tax

Schedule C Individual - Credit for Taxes Paid to Foreign Countries, the United States, its Territories and Possessions

Schedule C Corporation - Credit for Taxes Paid to Foreign Countries, the United States, its Territories and Possessions

Schedule D Corporation - Gains and Losses from Sale or Exchange of Property

Schedule E - Depreciation

Schedule IE Corporation - Excluded and Exempt Income

Schedule E1 - Depreciation for Businesses with Volume of \$3,000,000 or less

Schedule P Individual - Gradual Adjustment

Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions

INSTRUCTIONS TO COMPLETE THE INFORMATIVE RETURN FOR INCOME TAX EXEMPT ORGANIZATIONS

HEADING OF THE FORM

Enter the date in which the nonprofit organization's taxable year begins and ends.

Enter in the corresponding space, the name, telephone number, and the postal and physical address of the organization. Identify the type of organization, the Department of the State registry number, the date and place of incorporation, if applicable.

Enter the employer identification number. This number is required to process the return.

It is important that you provide the merchant's registration number at the Department of the Treasury. Also, you must indicate the case number, the paragraph of Section 1101.01 of the Code under which the exemption was granted and the date of the letter issued by the Department granting the exemption.

Indicate the type of activities carried out by the organization, including the NAICS Code and the date in which the operations began.

Also, you must indicate if you requested an extension of time to file the return in the corresponding box.

PART I - SUMMARY

Line 1 - Briefly summarize the organization's mission and the most significant activities and programs

Summarize the organization's mission. Also, you must indicate the most significant activities and programs carried out by the organization during the taxable year. Include a schedule if you need additional space.

Line 2 - Check here if you submitted copy of the income statement for the taxable year

Every organization to which a tax exemption under Section 1101.01 of the Code was granted, must annually submit to the Tax Policy Area of the Department of the Treasury, a copy of the income statement as well as any other additional information that is required by the Secretary, even if the organization does not have the obligation to file an annual informative return.

Check the corresponding box if at the time to file this return, the organization complied with the requirement to submit copy of the income statement for the taxable year for which this return is being filed.

Line 3 - Number of members with voting rights in the board of directors of the entity

Enter the number of members with voting rights in the board of directors at the end of the taxable year. This number must be the same as the one indicated in Part VII, line 1(a) of the return.

Line 4 - Number of independent members with voting rights in the board of directors

Enter the number of members with voting rights in the board of directors from question 3 of this Part I, that are considered independent. This number must be the same as the one indicated in Part VII, line 1(b) of the return.

Line 5 - Number of individuals employed during the current taxable year

Enter the number of individuals that were hired as employees by the organization during the taxable year.

Line 6 - Total number of volunteers during the current taxable year

Enter the number of full-time and part-time volunteers, that provided voluntary service to the organization during the taxable year.

Line 7 - Indicate the total unrelated business income of the exempt organization, if applicable

If during the taxable year, the organization derived unrelated business income, you must indicate in this line the amount of such gross income. Also, you must complete and submit Schedule A Exempt Organization, to inform such income and calculate the corresponding income tax, if any.

The term "unrelated business income" means the gross income derived by any Nonprofit Organization from any trade or business which is not substantially related to the exercise and performance of the charitable, educational, or other purpose or function for which the tax exemption under Section 1101.01 of the Code was granted. For additional information regarding the definition of the nonrelated business income, please refer to Sections 1102.02 and 1102.03 of the Code.

Lines 8 through 12 - Income

Transfer to these lines the income informed in Part II, page 2 of the return, as applicable.

Lines 13 through 18 - Expenses

Transfer to these lines the expenses informed in Part III, page 2 of the return, as applicable. In the case of line 15, since this item is not presented in Part III of page 2 of the return, the amount must be entered directly on this line.

Lines 19 through 21 - Net Assets

Determine the total net assets by transferring the total assets and liabilities from the financial statements included in Part IV, page 3 of the return.

Lines 22 through 26 - Tax and Payments

Enter on line 23 the tax determined on line 18(g) or 19(e), as applicable, of Schedule A Exempt Organization of this return.

Enter on line 24(a) the total tax withheld at source, as reported in all Forms 480.6B (Informative Return - Other Income Subject to Withholding) or 480.6SP (Informative Return - Services Rendered) issued in favor of the organization. If this line includes tax withheld at source for different concepts, you must submit a schedule detailing the following information: type of form, taxable year of the informative return, payer's employer identification number, name of the payer, control number, electronic filing confirmation number, the amount withheld according to the informative return, and the amount withheld claimed on this return. For this purpose, refer to Statement 21 available through your program provider to complete the tax returns or in the Department's website through the following link:

<https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

Enter on line 24(b) the total of other payments, withholdings and credits not included in a Form 480.6B or 480.6SP, as applicable. You must enter the amount that corresponds to the total payments and withholdings in the space provided on line 24(b)(i). Include a schedule detailing the concept and amount of the tax withheld or any other payment made during the taxable year. Also, enter the amount corresponding to tax credits on line 24(b)(ii). Include with the return a schedule detailing the type of credit claimed and if the tax credit is: (i) Pre Tax Credits Manager or (ii) Post Tax Credits Manager. For this purpose, refer to Statement 3 and Statement 20, respectively, available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Code to authorize the Secretary of the Treasury ("Secretary") to create the Tax Credits Manager ("TCM") as part of the electronic system of the Department.

Pursuant to Administrative Determination No. 22-11 ("AD 22-11"), issued by the Department on December 22, 2022, the TCM implementation date for purposes of the determination of Post TCM and Pre TCM Credits, is January 1, 2023.

The amount of credit to include on the corresponding line of Column A - Pre Tax Credits Manager and Column B - Post Tax Credits Manager of Statement 20 must be the amount you are claiming against the return tax instead of the total amount of credit available. In the case of Post TCM credits, it will be an essential requirement to have the right to claim any credit that the same is registered with the TCM. Post TCM credits that are not registered in the TCM cannot be claimed against the tax liability.

For additional information about the TCM, refer to AD 22-11, Internal Revenue Circular Letter No. 23-02 and to the next publications to be issued by the Department.

On line 24(c) you must total the sum of the payments, withholdings and credits indicated on lines 24(a) and 24(b).

SIGNATURE AND OATH OF THE RETURN

The return must be signed under penalty of perjury, by the president, vice president or other officer authorized to sign. A depository, trustee or syndic must sign any return required to be filed on behalf of a corporation.

Taking into consideration that the return must be filed electronically in those cases where any of the previously established exceptions does not apply, the digital signature of one of the officers mentioned above will be accepted as evidence of authentication.

AUDITED FINANCIAL STATEMENTS REQUIREMENT

Those organizations that derive unrelated business income to the exempt activity, will be required to submit with their informative return for income tax exempt organizations for taxable year 2022, financial statements in accordance with the provisions of Section 1061.15 of the Code.

PAYMENTS FOR THE PREPARATION OF THE RETURN

Indicate if you paid for the preparation of your return and make sure that the specialist signs the return and includes his/her registration number.

THE CODE PROVIDES CIVIL AND CRIMINAL SANCTIONS TO THOSE INCOME TAX RETURN SPECIALISTS WHO FAIL TO SUBMIT THIS INFORMATION OR WHO DO NOT MEET ANY OTHER STATUTORY REQUIREMENTS ESTABLISHED BY THE CODE.

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 Tax Return Specialist, it must include the registration number and be signed by an authorized person.

PARTS II AND III - INCOME, DUES, CONTRIBUTIONS, ETC. AND DISPOSITION OF THE INCOME, DUES, CONTRIBUTIONS, ETC.

In all cases where the amount reported on lines 1 or 2 of Part II includes money or property of \$3,000 or more, and lines 3 through 7, 10 through 13, or 15 through 18 of Part II include money or property of \$1,000 or more, received directly or indirectly from one person, in one or more transactions during the year, they must keep for their records evidence indicating the amount received and the name and address of each one of those persons. The term "person" includes individuals, trusts, partnerships, corporations, associations, and other organizations.

If the organization has a pension or deferred compensation plan approved by the Secretary, it must submit with this return the duly completed Form AS 6042.1 "Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions".

Line 9 - Income from Program Service carried out by the organization

In lines 9(a) through 9(e), you must specify separately the income earned during the taxable year corresponding to each one of the service programs carried out by the organization. Include a schedule itemizing the required information in case you need additional space and include such total on line 9(e). Totalize the income reported on lines 9(a) through 9(e) on line 9(f). Transfer the total of line 9(f) to line 9 of Part I.

Line 17 - Gross income from commercial activities including the exempt income from a registered investment company or real estate investment trust

Enter total gross income from commercial activities including the exempt income from a registered investment company or real estate investment trust. You must submit a schedule including the description of the income and the amount thereof. For this purpose, refer to Statement 3 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

Line 18 - Miscellaneous income

Enter the total of other income not included in the previous lines. You must submit a schedule including the description of the income and the amount thereof. For this purpose, refer to Statement 3 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

Lines 21 through 30 - Indicate the expenses related with the declared income. You must segregate each item of expenses among those incurred by the program services (Column A), those incurred for fundraising (Column B), and general and administrative expenses of the organization and any other that is not related to service programs or to fundraising (Column C), in Columns (A), (B) and (C), as applicable. Totalize the expenses of Columns (A), (B) and (C) in Column (D).

Deductions reported in informative returns

The organization must comply with the requirement to issue informative returns as established in Section 1063.01 of the Code for all those items that are reported as expenses on lines 21, 22, 25, 26, 28 and 29 of this Part III of this return, as applicable. The organization may deduct those payments for services not reported in informative returns because they did not exceed \$500 during the taxable year.

Line 21 - Compensation to officers, directors, trustees and key employees occupying key positions

Indicate the total compensation paid or accrued during the taxable year to officers, directors, trustees and key employees in the organization. You must complete Part V "List of Officers, Directors or Key Employees".

Line 22 - Salaries, wages and commissions to employees

Enter on this line the total of salaries, wages, bonuses and commissions paid during the taxable year to the employees of the organization. Include the number of employees, which must be the same to the number of employees included in Part I, line 5 of page 1.

Line 24 - Taxes

Submit a schedule itemizing the property taxes (personal or real), social security, unemployment insurance and any other tax of similar nature paid by the organization during the taxable year, segregated between the different categories.

For this purpose, refer to Statement 5 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

Line 29 - Miscellaneous Expenses

On this line, include all expenses directly connected with the carrying of the exempt activities which are not included on the previous lines. Include a schedule with the return itemizing these additional expenses, segregated between the different categories.

For this purpose, refer to Statement 5 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

Line 31 - Contributions, gifts and grants paid

On lines 31(a) through 31(c), indicate separately the total contributions, gifts and grants made by the organization. You must include the name and social security number of individuals or entities that have received contributions, gifts or grants from the organization during the taxable year. Include a schedule itemizing the information required if you need additional space and include such total on line 31(c). Totalize the contributions, gifts and grants included on lines 31(a) through 31(c) on line 31(d). Transfer the total included on line 31(d) to Part I, line 14.

For this purpose, refer to Statement 6 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

Line 32 - Benefits paid to members or their dependents

You must include on line 32(b) all benefit payments made to members or their dependents that are not due to death, illness, hospitalization, disability, life insurance or pensions. You must submit a schedule including the description of the income and the amount thereof. For this purpose, refer to Statement 3 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

Line 33 - Additions to surplus and reserves

Include with the return a schedule detailing the additions to surplus and reserves. For this purpose, refer to Statement 3 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

Line 38 - Other changes in the fund's balance

You must include with the return a schedule including a description of other changes in the fund's balance. For this purpose, refer to Statement 3 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

PART IV - BALANCE SHEET

The balance sheet must be reconciled with the accounting books. Any difference must be reconciled. Every organization that informs to a national official of the Government of Puerto Rico, municipal or any other public official, may submit copies of the financial statements required by such authority for the beginning and ending of the year.

In all cases in which line 6 includes 10% or more of any class of stocks of any corporation, you must keep for your records a list indicating the corporation name, the number of stock by class (indicate if the stocks have voting rights or not) and the book value of the stocks included on line 6.

PART V - LIST OF OFFICERS, DIRECTORS OR KEY EMPLOYEES

In this part, include the detail of each officer, director, trustee and key employee in the organization. You must include the full name, title of the position held as well as the number of weekly hours dedicate to the institution. You must also indicate the total compensation paid during the year such as salaries, allowances or any other compensation. In addition, indicate the total contributions to pension or deferred compensation plans and the total allowances or expense account that have been paid to the officer, director, trustee or key employee in the organization. Include a schedule itemizing the required information, in case you need additional space. For this purpose, refer to Statement 7 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

PART VI - COMPENSATION IN EXCESS OF \$5,000 PAID TO INDEPENDENT CONTRACTORS FOR PROFESSIONAL SERVICES

Include the detail of each one of the independent contractors to which the organization made payments for service rendered in excess of \$5,000 during the taxable year, which are part of the deduction claimed in line 26 of Part III. You must include the full name, address and social security or employer identification number in legible print, as well as a description of the type of service provided by the contractor to the organization and the total compensation paid during the taxable year.

Include a schedule detailing the required information, in case you need additional space. For this purpose, refer to Statement 8 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

PART VII - QUESTIONNAIRE

Include all the information required in the questionnaire in order to process this return. If necessary, submit the evidence to support the information provided (for example: evidence of the exemption under the Federal Internal Revenue Code).

You must complete Sections A, B and C of the questionnaire in its entirety. In case that any question does not apply to the organization you must include "N/A" in such question.

PARTE VIII - COMPUTATION OF SPECIAL TAXES

1. Special tax to compensation received by highly compensated officers, directors and employees

The amount of compensation paid to every employee, director or officer who provides services to the organization that is subject to the special tax imposed by Section 1101.02 of the Code will be determined as follows:

- (a) Compensation paid in excess of \$250,000, when the volume business of the organization is less than \$25,000,000 dollars.
- (b) Compensation paid in excess of \$500,000, when the volume of business of the organization is equal to or greater than \$25,000,000 but less than \$50,000,000 dollars.
- (c) Compensation paid in excess of \$750,000, when the volume of business of the organization is equal to or greater than \$50,000,000 but less than \$75,000,000 dollars.
- (d) Compensation paid in excess of \$1,000,000, when the volume of business of the organization is equal to or greater than \$75,000,000.

The amount of compensation paid that has been determined will be subject to a tax rate of 37.5%.

This special tax will not apply to the following organizations:

- (1) Labor, agricultural, or horticultural organizations.
- (2) Cemetery companies owned and operated exclusively for the benefit of their members or not operated for profit; and any corporation authorized exclusively for burial purposes as a cemetery corporation whose charter does not authorize it to engage in any business not necessarily incidental to such purposes, provided that no part of its net profits redound to the benefit of any shareholder or particular individual.

- (3) Corporations organized under any statute of the Legislative Assembly, if said corporations are instrumentalities of the Government of Puerto Rico.
- (4) Subject to the requirements of Act No. 57 of June 13, 1963; Act No. 26 of June 2, 1978; Act No. 8 of January 24, 1987; Act No. 135 of December 2, 1997; Act No. 73 of May 28, 2008; Act No. 52 of June 2, 1983; Act No. 78 of September 10, 1993, all of them as amended, and of any other law that replaces or complements them and up to the limit provided in said laws, the entities that have obtained or obtain tax exemption under said laws, or subject to the requirements of any other similar law that may be passed in the future.
- (5) Subject to the requirements of Act No. 168 of June 30, 1968 and of any other law that replaces or complements it, and up to the limit established in said law, the entities that have obtained or obtain tax exemption under said law, or subject to the requirements of any similar law that may be passed in the future.
- (6) Any entity that is created or organized under the laws of the United States of America, or those of any State of the United States of America and that during the taxable year qualifies as a registered investment company or real estate investment trust under the United States Internal Revenue Code of 1986, as amended, including persons who are part of the group of entities related to real estate investment trusts, as established in subsection (F) of paragraph (8) of section (a) of Section 1101.01 of the Code.

This special tax shall not apply to those organizations that can prove, to the satisfaction of the Secretary, that the compensation paid is appropriate for the services rendered.

The amount of the compensation considers the salaries, any remuneration, distribution or special bonus, fringe benefits received, including the right to deferred compensation plans by said employee, director or officer within the taxable year for the services rendered to said organization. Therefore, the compensation to be used must be equal to the compensation determined in Part V of this return.

2. Special tax for compensation payments for cases of harassment and related expenses

The special tax applicable to all organizations will be determined for those payments described in Section 1033.17(h) of the Code.

The amount of compensation paid that has been determined will be subject to a tax rate of 37.5%.

SCHEDULE A EXEMPT ORGANIZATION - TAX COMPUTATION ON THE NET UNRELATED BUSINESS INCOME (OR LOSS)

Use this schedule to inform the unrelated business income and calculate the corresponding income tax, if any.

PART I - DETERMINATION OF THE UNRELATED BUSINESS INCOME

Line 1 - Net sales of goods or products

Enter only the net sales of goods and products. Do not include in this line the income received during the year from sales of services. The service income must be included in line 4 of this Part I.

Line 2 - Cost of goods sold or direct costs of production

Enter the costs of sales and direct production costs. Determine the same on Part V of this Schedule A-Exempt Organization. Transfer to this line the amount determined on line 7, Part V.

Line 3 - Gross profit (or loss) on sales of goods or products

Enter the gross profit on sales of goods or products. To determine the percentage of gross profit margin corresponding to the year 2022 in the case of income from the sale of goods, divide line 3 by line 1. To determine the amount corresponding to the year 2021, use the data from the 2021 return.

Line 4 - Gross income on sales of services

Enter the gross income generated from the sale of services. Organizations that have income from services reported on this line will be the only ones that may request a Waiver Certificate for Income Tax Withholding at Source from the Department. If the entity does not show income from services on this line, it will not be able to enjoy the benefits of the Waiver Certificate.

Line 5 - Rent income

If the rental income is derived from the lease of a residential New Construction Property or Qualified Property, it will be completely exempt pursuant to the provisions of Act 132-2010, as amended. This exemption applies from January 1, 2011 through December 31, 2025, regardless of the date on which the contract was signed. Do not include on this line the income received for this concept, include it on Schedule IE Corporation, Part II, line 13.

For more details, refer to Act 132-2010 and the corresponding regulations.

On the other hand, if the rental income comes from rental housing project for low or moderate income families or of affordable rental housing to the elderly according with the provisions of Act 165-1996, as amended, it will be 90% exempt. Therefore, include on this line 5 the taxable portion (10%). Include the exempt amount (90%) on Schedule IE Corporation, Part II, line 17.

The granting of the exemption under Act 165-1996 will be subject to the taxpayer's request and the approval by the Secretary of an administrative determination. You must keep for your records copy of the Administrative Determination issued by the Department.

Line 6 - Miscellaneous Income

Enter any other income earned or received not included on previous lines. Submit with your return a schedule where this income is detailed. For this purpose, refer to Statement 4 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

PART II - DETERMINATION OF THE NET UNRELATED BUSINESS INCOME (OR LOSS) SUBJECT TO TAX

Enter on lines 7 through 9 and 11 those items of income and admissible deductions for purposes of determining the net unrelated business income (or loss), in the regular tax and alternative minimum tax columns, as applicable.

Line 8 - Total Deductions

Transfer to this line the amount determined on line 56, Regular Tax column, of Part IV of this Schedule A Exempt Organization.

Line 10 - Net operating loss deduction from preceding year

Enter the deduction for net operating loss from prior years, without taking into consideration any amount of income or deduction that is excluded

from the computation of net unrelated business income. The amount of the loss to be claimed on this line may not exceed 90% of the net income from unrelated business determined on line 9, Part I of this schedule.

The carryover period for these losses will be 7, 12 or 10 years, based on the period in which they were incurred.

Net losses can be used against income in subsequent years as follows:

- Taxable years beginning before January 1, 2005 - net operating losses can be carried over to each of the following seven (7) taxable years.
- Taxable years beginning after December 31, 2004 and before January 1, 2013 - the carryover period will be twelve (12) years.
- In case of net operating losses incurred in taxable years beginning after December 31, 2012 - the carryover period will be ten (10) years.

You must keep for your records a schedule itemizing the year in which each loss was incurred, the amount of the loss, any applicable adjustment to the loss, the amount of the loss used in previous years, the amount of the loss available for the current year and the expiration date of the loss.

Provided that in the case of a corporate owner who owns, directly or indirectly, 50% or more of the capital interest or the interest in the profits of a pass-through entity, he may not claim the aforementioned deduction against the distributable income of said entity. In addition, said corporate owner may not deduct from the distributable income of a pass-through entity the losses generated in the operations of the corporate owner during the current taxable year. Notwithstanding the provisions herein, the corporate owner may take the deduction described in Section 1033.02(e) of the Code against the distributable income of the pass-through entity. For purposes of determining the percentage of interest, the rules established in Section 1010.05 of the Code will be used. Determine the deduction for net operating loss of the previous year in the case of corporations that own 50% or more of participation in a pass-through entity using the worksheet provided on the instructions of Form 480.20 - *Corporate Income Tax Return* for taxable year 2022.

Line 12 - Dividends or benefits received from domestic corporations

Enter the amount of the applicable deduction, if any, for dividends or benefits received from a domestic corporation subject to tax under the Code, according to the Section 1033.19 of the Code.

Enter the 85% of the amount received as dividends or benefits from a domestic corporation subject to tax under the Code but limited to 85% of the organization's net income.

If the dividend received is from industrial development income derived from operations covered by the provisions of Act No. 57 of June 13, 1963, as amended, the credit will be 77.5% of the amount received, but limited to the 77.5% of the net income subject to tax. The credit of 77.5% does not apply to dividends or profit distributions covered under Act 78-1993, as amended, or Act No. 8 of January 24, 1987, as amended. Nevertheless, if the organization received dividends or benefits from a domestic corporation, it may use the 85% credit mentioned in the first paragraph of this part.

However, the Code provide the following exceptions:

- (1) In case of a small business investment company operating in Puerto Rico under the Congress of the United States Act, known as the Small

Business Act of 1958, there shall be allowed as a credit, an amount equal to 100% of the total amount received as dividends from a domestic corporation subject to tax under the Code.

- (2) Subject to certain requirements imposed by the Code, a deduction will be allowed against the net income of 100% of the amount received as dividends by corporations organized under the laws of any state of the United States or the Government of Puerto Rico, which is the principal derived from industrial development accumulated during taxable years beginning prior to January 1, 1993 and invested in obligations of the Government of Puerto Rico, its instrumentalities or political subdivisions or invested in mortgages secured by the Puerto Rico Housing Bank and Finance Agency or in loans or other securities guaranteed by mortgages granted under any general character pension or retirement system established by the Legislative Assembly of Puerto Rico, the municipalities and the agencies, instrumentalities and public corporations of the Commonwealth of Puerto Rico.
- (3) There shall be granted a 100% deduction against the net income from the total amount received as dividends by corporations organized under the laws of any State of the United States or the Government of Puerto Rico, that is the principal derived from industrial development income accumulated during taxable years beginning prior to January 1, 1993 and invested in obligations of the Government Development Bank for Puerto Rico or any of its subsidiary corporation, for the financing through the purchase of mortgages, or the construction, acquisition or housing improvements in Puerto Rico made after December 31, 1984.
- (4) There shall be granted a 100% deduction against the net income from the total amount received as dividends or benefits from a domestic controlled corporation.

Nevertheless, as established in Section 1102.02(b)(1) of the Code, this deduction will not be accepted if the dividend income is excluded from the unrelated net business income.

If the Nonprofit Organization is a charitable trust with any other taxable purposes according to Section 1102.01 (b) of the Code, you must enter zero on this line.

Line 14 - Specific deduction

Enter the amount of the specific deduction of \$1,000, according to Section 1102.02(b)(12) of the Code.

Line 16 - Surtax deduction

Enter \$25,000, except in case the organization belongs to a controlled group of corporations which are 80% or more owned, directly or indirectly, by the same person or persons. In such cases, the credit granted will be only \$25,000 for the entire group of corporations.

This line must only be completed by Nonprofit Organizations that are taxable at corporate rates, according to Section 1102.01(a) of the Code. If the Nonprofit Organization is a charitable and other purposes trust taxable according to Section 1102.01(b) of the Code, enter zero on this line.

PART III - COMPUTATION OF TAX

If the Nonprofit Organization is taxable at corporate rates, according to Section 1102.01(a) of the Code, line 18 must be completed and line 19 must be left in blank. On the other hand, if the Nonprofit Organization is a taxable trust according to Section 1102.01(b) of the Code, line 19 must be completed and line 18 must be left in blank.

Line 18 - Charitable and other organizations taxable at corporate rates

This line must be completed by any Nonprofit Organization with net unrelated business income, which is not a charitable or any other taxable trust described on line 19.

Line 18(a) - Normal tax

An 18.5% regular tax will be imposed, collected and paid over the net unrelated business income of the Nonprofit Organization. Multiply line 15 of Part II of this schedule by 18.5% and enter the result on this line.

Line 18(b) - Surtax

Multiply line 17, Part II of this schedule by the applicable tax rate, according to the following table and enter the result on this line.

Surtax Computation Table for taxable years beginning after December 31, 2012

If the net income subject to surtax is:	The tax shall be:
Not over \$75,000	5%
In excess of \$75,000, but not over \$125,000	\$3,750 plus 15% of the excess over \$75,000
In excess of \$125,000, but not over \$175,000	\$11,250 plus 16% of the excess over \$125,000
In excess of \$175,000, but not over \$225,000	\$19,250 plus 17% of the excess over \$175,000
In excess of \$225,000, but not over \$275,000	\$27,750 plus 18% of the excess over \$225,000
In excess of \$275,000	\$36,750 plus 19% of the excess over \$275,000

Line 18(d) - Credit for taxes paid to foreign countries, the United States, its states, territories and possessions

Enter the amount of credit for taxes paid to foreign countries, the United States, its states, territories or possessions that was determined on line 6(c), Part IV of Schedule C Corporation.

Line 18(f) - Alternative minimum tax

Enter the excess of the tentative minimum tax over the adjusted regular tax of Schedule A Corporation, Part V, line 34. Every corporation (except those not engaged in trade or business in Puerto Rico) will be subject, in addition to any other tax imposed by the Code, to a tax equal to the excess, if any, of:

- (1) the tentative minimum tax for the taxable year, over
- (2) the adjusted regular tax for the taxable year.

To determine the excess of the alternative minimum tax over the adjusted regular tax, you must complete Schedule A Corporation and submit it with your return.

Line 19 - Charitable and other purposes trusts

This line must be completed only if the Nonprofit Organization with net unrelated business income, was organized as a trust that, if the tax

exemption under Section 1101.01 of the Code wouldn't have been granted, would be subject to the income taxes applicable to trusts and estates established in Chapter 8 of Subtitle A of the Code.

Line 19(a) - Normal tax

Multiply line 15 of Part II of this schedule by the applicable tax rate according to the following table and enter the result.

If the net income subject to tax is:	The tax shall be:
Not over \$9,000	0%
In excess of \$9,000, but not over \$25,000	7% of the excess over 9,000
In excess of \$25,000, but not over \$41,500	\$1,120 plus 14% of the excess over \$25,000
In excess of \$41,500, but not over \$61,500	\$3,430 plus 25% of the excess over \$41,500
In excess of \$61,500	\$8,430 plus 33% of the excess over \$61,500

Line 19(b) - Gradual Adjustment Amount

Complete Schedule P Individual and submit copy of such schedule with this return. In order to determine the total amount of Gradual Adjustment, you must transfer the amount of line 15, Part II of this schedule to line 1 of the Schedule P Individual.

Transfer the total amount of line 7 of Schedule P Individual to this line.

Line 19(c) - Regular tax before the credit for taxes paid to foreign countries, the United States, its states, territories and possessions

Section 1021.01(c) of the Code establishes that the tax determined will be 95% of the sum of the regular tax and the amount of gradual adjustment. Therefore, enter on this line 95% of the result of the sum of lines 19(a) and 19(b).

Line 19(d) - Credit for taxes paid to foreign countries, the United States, its states, territories and possessions

Enter the amount of credit for taxes paid to foreign countries, the United States, its states, territories and possessions, determined on Schedule C Individual. For the specifications of how to determine this amount, refer to the instructions of Schedule C Individual.

PART IV - DEDUCTIONS

Section 1022.04 of the Code establishes that to determine the alternative minimum net income subject to the alternative minimum tax, only certain deductions may be claimed against the gross income and subject to the fact that, as indicated below, some of them are evidenced with informative returns or have been validated with an Agreed Upon Procedures Report. For these purpose, two columns are provided to indicate the allowable deductions against the net income subject to regular tax and the allowable deductions for purposes of the alternative minimum tax, respectively. In addition, the deductions are divided into three groups: (A) Deductions that must be reported in informative returns, (B) Deductions not reported in informative returns, and (C) Other deductions that were validated with a Agreed Upon Procedures Report ("AUP").

A. Deductions that must be reported on informative return

Those taxpayers whose taxable year is a calendar year and use the cash basis method, may include the amount of expenses reported in the informative returns issued for the taxable year as an allowable deduction for the determination of both the net income subject the regular tax as well as the alternative minimum tax. In case of the regular tax, you may deduct those payments for services not reported in informative returns because they did not exceed \$500 during the taxable year. However, said payments may only be deductible to determine the net income subject to alternative minimum tax if they were included in a duly filed informative return.

For lines 1 through 19, in case of taxpayers who use the accrual basis method or whose taxable year is a fiscal year, they must reconcile, in accordance with the provisions of Section 1063.01 (a) of the Code, the amount reported in the information returns, duly filed, with the expense claimed as a deduction on the return. In this case, the taxpayer may take as a deduction the amount of expense recorded in their books for purposes of regular tax and alternative minimum tax. For these purposes, refer to Statement 9 available through your program provider to prepare returns or on the Department's website through the following link: <https://www.hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

You must complete a reconciliation detail that includes the allowable expenses provided in this section for each column, Regular Tax column and Alternative Minimum Tax column, separately.

This reconciliation will not be required in case that the taxpayer files the audited financial statement together with the income tax return in accordance with the provisions of Section 1061.15(a) and files the Supplementary Information required in Section 1061.15(b).

Line 1 - Compensation to directors

Enter the total amount of compensation paid to organization's directors during the year, as determined in Part VII, page 3 of this Schedule A.

Line 2 - Compensation to officers

Enter the total amount of compensation paid to organization's officers during the year, as determined in Part VIII, page 3 of this Schedule.

Line 3 - Salaries, commissions and bonuses to employees

Enter the total salaries, commissions and bonuses paid to the corporation's employees during the taxable year.

No deduction will be granted for salaries expenses paid if at the time of filing the return the total amount of the taxes withheld on the salaries paid to the employees during the taxable year has not been remitted to the Department of the Treasury.

Enter in the alternative minimum tax column, 125% of the deduction of salaries paid and reported in the withholding form, as provided in Section 1062.01(n)(2) of the Code, corresponding to the taxable year for which this income tax return is filed.

Line 4 - Salaries paid to young university students

A private company employer may take a 150% deduction for each university student employed for at least 20 hours per week for 9 months of the taxable year or a minimum of 800 hours during the taxable year, as long as the hourly wage paid to said university student is greater than ten (10) dollars per hour and said salary is duly reported in a withholding

form. In the case of students who come from the internship program of the Department of the Treasury, the deduction will be 200% if the requirement provided in the preceding sentence is met.

For purposes of this deduction, the term "young university student" means a student who has studied during the calendar year at least one school semester of studies at postsecondary level, as a regular student, in a university or post-secondary technical-professional institution recognized as such by the educational authorities of Puerto Rico or the corresponding country, until he/she obtains the university or technical-professional degree or have completed the studies within a period not exceeding 12 months from the date of starting the employment. Section 1033.21 of the Code does not establish an age requirement for purposes of this deduction.

If you qualify to claim this deduction, enter the total amount of wages paid and reported on the withholding forms in the parentheses provided on this line.

Line 5 - Payments for services rendered in Puerto Rico

Enter the total professional services paid to service providers engaged in trade or business in Puerto Rico.

To claim this deduction, the taxpayer must file before the Department of the Treasury the Informative Return-Services Rendered (Form 480.6SP) related to the services paid during the taxable year.

Line 6 - Payments for services rendered outside of Puerto Rico

Enter the total professional services paid to service providers that were rendered outside of Puerto Rico. To claim this deduction, the taxpayer must file before the Department of the Treasury the Informative Return-Payments to Non-Residents or for Services from Sources Outside of Puerto Rico (Form 480.6C).

Line 7 - Services subcontracted

Enter the amount paid to any subcontracted person in the exercise of an activity of services rendered as part of the trade or business operation. In order to claim this deduction, you must have filed Form 480.6SP and have indicated in it that the reported payments correspond to subcontracted services.

Line 8 - Lease, rent and fees paid

Enter the amount paid for lease, rent and fees that have been duly reported on Forms 480.6A of the taxable year for which the income tax return is filed. Segregate in the spaces provided on this line the portion that corresponds to personal property and real property.

Line 9 - Insurance premiums (Except contributions to health or accident plans)

Enter the amounts paid during the taxable year for property, contingency, and public liability (malpractice) insurance directly related to the operation of the corporation's trade or business, provided that the amounts paid have been reported in the Optional Informative Return-Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7E), or that the insurer received the Annual Return of Payments Received for Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7F).

Line 10 - Telecommunication services

Enter the payments made for telecommunications services, as defined in Section 4010.01(kk) of the Code, directly related to the operation of your

trade or business. They must have been reported on Form 480.7E or receive a Form 480.7F from the supplier.

Line 11 - Internet and cable or satellite television services

Enter the payments made for internet access services and cable or satellite television services directly related to the operation of your trade or business. They must have been reported on Form 480.7E or receive a Form 480.7F from the supplier.

Line 12 - Bundles

Enter the payments made for a bundle or combination of services whose value cannot be segregated or assigned to the payment made for said services and is duly reported on Form 480.7E or that you receive a Form 480.7F from the provider.

Line 13 - Advertising

Enter the payments made for advertising, promotion, publicity and marketing directly related to the operation of your trade or business, as reported on Form 480.7E or received a Form 480.7F from the supplier.

Line 14 - Royalties

Enter the payments made in exchange for the use or privilege of using an intangible, such as patents, copyrights, goodwill, franchises, licenses or other similar property. They must have been reported on Form 480.6A.

Line 15 - Payments for virtual and technological tools and other subscriptions

Enter the total payments for licenses and subscriptions for the use of programs, platforms, applications and information systems, among others, including the amount paid for subscriptions that allow access to wholesale sales establishments (membership clubs) and electronic or printed publications, which are directly related to the operation of the trade or business and are duly reported on Form 480.6A.

Line 16 - Professional associations fees and memberships paid for the benefit of employees

Enter the amount paid to professional associations for membership and association fees for the benefit of their employees, duly reported on Form 480.6A.

Line 17 - Homeowners association fees

Enter the amount paid to homeowners' associations for maintenance fees with respect to the facilities used in the trade or business, duly reported on Form 480.6A.

Line 18 - Payments for judicial or extrajudicial indemnification

Enter the total payments made for indemnification under a Court judgment or under an extrajudicial claim directly related to the operation of the trade or business and for which the withholding established in Section 1062.02 of the Code, as applicable and the corresponding deposit are reported on Form 480.6B.

Line 19 - Certain other expenses

There shall be allowed as a deduction the total of those expense items for which no specific space is provided in this part and that they have been duly reported in an informative return. You must keep for your records a schedule detailing such expenses.

B. Deductions not reported on informative returns

Enter on lines 21 through 31 those deductions not reported in an informative returns that are allowable for purposes of determining the net income for the regular tax and alternative minimum tax columns, as applicable.

Line 21 - Interests on business debts

Enter in the corresponding space the amount paid for mortgage interest, interest paid on automobile leases and other interest, and totalize them in the Regular Tax and Alternative Minimum Tax columns.

Mortgages: Enter the amount of mortgage interest paid other than points. If the corporation has a fiscal year, enter the total paid or incurred during the taxable year.

Automobile's leasing: Enter on this the total of the amounts paid for automobiles finance leases (that are essentially purchase). If the corporation has a fiscal year, enter the total paid or incurred during the taxable year.

Others: The interest expense on debt incurred for the acquisition of inventory or other personal or real property used in the industry or business shall be considered a deduction.

Line 22(b) - Other taxes

Enter on this line the excise taxes or other taxes paid. Payments realized during the year for sales tax will not be included as part of this deduction.

Line 22(d) - Sales and use tax

Enter on this line the amount of sales and use tax payments made by the corporation during the taxable year not claimed as credit on the sales and use tax monthly returns filed by the corporation. The tax to be claimed takes into consideration such amount paid in: (1) imports, (2) subcontracts, (3) purchase of tangible personal property and taxable services to Puerto Rico residents, (4) purchases of designated professional services, and (5) reverse charge in the purchase of services and goods (including designated professional services) to persons not engaged in trade or business in Puerto Rico.

This deduction will proceed as long as the corporation has not claimed credits for this tax paid.

Line 22(e) - Special contribution for professional and advisory services under Act 48-2013, as amended

Every corporation who has signed a contract for professional, advisory, advertising, training or orientation services with an agency, dependency or Puerto Rico Governmental instrumentality, public corporation, the Legislative Branch, Office of the Comptroller, the Ombudsman Office and the Judicial Branch will be subject to an amount withheld at source as a Special Contribution under Act 48-2013, as amended. This amount is equivalent to one point five percent (1.5%) of the total contract amount.

This contribution will be considered an ordinary and necessary expense of the organization; therefore, it is deductible as such. If the organization has a fiscal year, enter the total amount contributed during the taxable year.

For additional information on the scope of this withholding, you may refer to Administrative Determination No. 13-14 of August 28, 2013 and the Central Accounting Circular Letters issued by the Department regarding this purposes.

Line 23 -Depreciation and Amortization

Flexible Depreciation

Enter the amount of flexible depreciation you are entitled and submit copy of the authorization for the flexible depreciation option.

The flexible depreciation detail will be included on Part (b) of Schedule E - Depreciation.

Accelerated Depreciation

In order to be entitled to this deduction, an election to use the accelerated depreciation method must be exercised with the return. Said election may be exercised only with respect to property acquired through purchase during taxable years beginning after June 30, 1995. Once the option is exercised, it is irrevocable. This depreciation method does not apply to automobiles, property used outside Puerto Rico, property used by exempt entities, property used totally or partially in activities under the Industrial Incentives Acts, Tax Incentives Act and Tourism Incentives Act, Tourism Development Act, Agricultural Tax Incentives Act, or any other act of similar nature or to intangible property.

The accelerated depreciation detail will be included on Part (c) of Schedule E - Depreciation.

Current depreciation, amortization, automobiles and vehicles under financial lease.

Submit details of the current depreciation, amortization, automobiles and vehicles under financial lease in Parts (a), (d), (e) and (f), respectively, of Schedule E- Depreciation.

The maximum basis to depreciate an automobile acquired and used in a trade or business or for the production of income is \$30,000; the deduction shall not exceed \$6,000 annually per automobile.

For depreciation purposes, the useful life of an automobile used exclusively in selling activities is 3 years, and 5 years for every other purpose.

The \$30,000 basis limitation and useful life term does not apply to those automobiles acquired by corporations engaged in the car leasing, or transportation of passengers or cargo businesses.

Also, a deduction for goodwill amortization is granted, as long as the goodwill is purchased from third parties through purchase during taxable years beginning after June 30, 1995. The deduction will be determined using the straight-line method and a useful life of 15 years.

Indicate in the space provided the total amount of Schedule E completed where you detailed the depreciation or amortization claimed.

Line 24 - Depreciation for businesses with volume of \$3,000,000 or less

Every corporation whose gross income for the taxable year does not exceed \$3,000,000 can elect to depreciate the total cost, including installation, of the computer systems equipment in the year of its acquisition and installation. Equipment previously depreciated by a shareholder of such corporation or acquired from a related person, will not qualify for the acceleration of the depreciation allowance. Also, can be depreciated under the straight-line method, based on a useful life of 2 years, the land transportation equipment, except automobiles, and environmental conservation equipment. In addition, for taxable years beginning after December 31, 2018, you can determine the deduction for depreciation

using a two-year useful life for machinery and equipment, furniture and fixtures and any other fixed assets to be used in the industry or business without including real property, automobiles and property subject to the above terms.

Submit details of this depreciation on Schedule E1. Indicate in the space provided the total amount of Schedules E1 completed where you detailed the depreciation claimed.

Line 25 - Electric power

Enter in this line the total amount paid to the Electric Power Authority or any other provider for the use or consumption of electric power and other billed charges, directly related with your industry or business operation.

Line 26 - Water and sewage

Enter in this line the total amount paid to the Water and Sewage Authority for the use or consumption of water, sewage and other billed charge, directly related with your industry and business.

Line 27 - Contributions to health or accident plans

Enter contributions to your employees' health or accidents plans to cover personal injury or illness, either by insurance, or in any other form that complies with Section 1032.08 of the Code.

Line 30 - Contributions to pensions or other qualified plans

Enter the amount contributed to pension, stock bonus, profit sharing or other plans approved by the Secretary of the Treasury. This deduction is subject to certain limitations. See Section 1033.09 of the Code.

To claim this deduction, it is necessary to complete and submit with the return Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions.

Line 31 - Deduction to employers for: Handicapped persons and Breastfeeding period

Deduction to employers who employ handicapped persons

Enter \$400 for each severely handicapped person employed for at least 20 hours per week during 9 months of the taxable year. The deduction is allowed for a maximum of 5 severely handicapped persons. In force regulations of the Vocational Rehabilitation Program of the Department of the Family will be used to determine the severely handicapped condition.

The employer who claims this deduction must submit with his return:

- (1) evidence that proves the handicapped person has been employed at least 9 months of the taxable year for which the deduction is claimed, and
- (2) a certification issued by the Secretary of the Department of the Family stating that, in accordance to its rules and procedures, the person for whom the deduction is claimed is a severely handicapped person.

Deduction to employers for breastfeeding period

Every employer may claim annually, as an operating expense of the industry or business, an amount equal to one month of salary for each employee to whom you have granted the right to nurse their babies or extract their breast milk during one hour within each full time working day which can be

divided in two periods of 30 minutes or three periods of 20 minutes. In the case of companies considered as small businesses by the Federal Small Business Administration, the period will be half an hour of each full time working day, which can be divided in two periods of 15 minutes.

C. Other deductions

Enter on lines 33 through 56 those allowable deductions to determine the net income in the regular tax and alternative minimum tax columns, as applicable. You must fill-in the corresponding oval to indicate if a Financial Statement or an AUP is included with the return and include the Number of the Puerto Rico CPA Association Stamp in the space provided.

In order to claim any amount on these lines as allowable deduction for the determination of the net income subject to alternative minimum tax, and in case that the return is filed without a financial statement as established by Section 1061.15(a) together with the Supplementary Information required by Section 1061.15(b), the taxpayer must submit with the income tax return an AUP, according to the provisions of Internal Revenue Circular Letter No. 19-14 of December 9, 2019.

If not required to include audited financial statements pursuant to the provisions of Section 1061.15(a) of the Code, in order to enter any amount in the alternative minimum tax column, the taxpayer must mark the AUP oval provided on the line corresponding to each deduction that is validated in the AUP included with the return. Only those expense items that have been submitted with the AUP may be deductible for the alternative minimum tax.

If you do not select the corresponding oval, and do not submit the Agreed Upon Procedures Report, you will not be able to claim the deductions provided in this section for purposes of determining the net income subject to alternative minimum tax.

In the case of employer contributions, including, but not limited to social security and unemployment, the taxpayer can claim the amount paid during the year, both for purposes of the regular tax and alternative minimum tax, without the need to submit an AUP or audited financial statements.

Line 33 - Automobile expenses

The taxpayer has the option to claim on this line the deduction for expenses incurred or paid for the use and maintenance of an automobile based on one of the following alternatives:

- (1) the expense determined based on a standard mileage rate of sixty cents (\$0.60) for each mile that the taxpayer uses in its trade or business or for the production of income; or
- (2) the actual expenses related to the use and maintenance of an automobile incurred by the taxpayer in its trade or business or for the production of income, including those expenses that are duly documented by the employees under an expense reimbursement plan established by their employer.

Nevertheless, once any of the alternatives is selected, the taxpayer will be required to use the same during the entire taxable period.

The expense related to the use and maintenance expense of automobiles includes repairs, insurance, gasoline, oil and filter changes, cleaning, tires, annual license fees, and other expenses of a similar nature. This expense does not include depreciation, rental payments on ordinary leases or financial leases which are claimed on line 23 and detailed on Schedule E. Also, do not include expenses related to the use of tolls or parking, those could be deductible as miscellaneous expenses.

For these purposes, the term "automobile" does not include the following:

- those used directly in the business of transporting passengers or property for which compensation or payment is made, such as limousines, taxis or public vehicles;
- funeral cars, flower carriages, buses, ambulances, motorcycles, trucks, vans, and any other similar vehicle used primarily for transport of cargo; and
- cars rented or held for rental by persons regularly engaged in the business of car leasing

If you incurred expenses for vehicles which are not considered automobiles according to the above definition, you should claim them on line 34.

Administrative Determination No. 15-01 of January 9, 2015 ("AD 15-01"), revoked several articles of Regulation 8297 of December 18, 2012, related to the requirements to claim the deduction for expenses incurred or paid for use and maintenance of automobile. For more details, refer to AD 15-01.

Line 34 - Other motor vehicle expenses

If you incurred expenses related to the use and maintenance of vehicles which are not considered automobiles, according to the definition of the previous line, they should be claimed on this line.

Line 35 - Repairs and maintenance

On this line, you may claim the expenses that constitute repairs and maintenance and not improvements to your assets. Excessive repair expenses will be subject to investigation.

Line 36 - Travel expenses

You can deduct up to 50% of expenses paid or incurred for travel and accommodation.

Line 37 - Meal and entertainment expenses

You may deduct 25% of the total expenses actually paid or incurred, up to a limit of 25% of the gross income for the taxable year, for meal and entertainment expenses directly related with your trade or business for the production of income. You cannot include as part of such expenses the items that do not constitute ordinary and necessary expenses of the trade or business.

No deduction will be allowed for meal and entertainment expenses considered extravagant or sumptuous.

For more details, refer to Regulation No. 6091 of February 7, 2000.

Line 44 - Office expenses

Enter on this line the amount paid for office expenses that are directly related with the conduct of your trade or business operations.

Line 46 - Bad debts

Enter the accounts receivable that are declared uncollectible. For taxable years beginning after June 30, 1995, the reserve method may not be used to determine the deduction for bad debts. Instead, a deduction may be claimed for debts that become uncollectible within the taxable year (direct write-off method).

Amounts owed to related persons who are a foreign or non-residents not engaged in trade or business in Puerto Rico will not be deductible. Subsection (c) of Section 1040.04 of the Code - Period for Which Deductions and Credits Must Be Claimed, provides the following for amounts owed to related persons who are foreigners or nonresidents not engaged in industry or business in Puerto Rico:

- (1) In general - Any amount that is owed to a related person (as defined in Section 1010.05 of the Code) who is foreign or nonresident not engaged in trade or business in Puerto Rico and that, otherwise, is deductible under Section 1033.01 of the Code, will not be deductible by the taxpayer until that amount is paid to any of such related persons.
- (2) Amounts covered by this section - This section applies to those amounts, which would otherwise have been deductible, and which are the type described in Sections 1091.01(a)(1)(A)(i) and 1092.01(a)(1)(A)(i) of the Code.

Line 47 - Contributions to educational contributions accounts for the employee's beneficiaries

Enter the amount of contributions to the educational contribution accounts for the employees' eligible beneficiaries up to the maximum of \$500 for each beneficiary, subject to the provisions of Section 1081.05 of the Code. The employer's contributions will be considered as ordinary and necessary expenses in the operation of his trade or business, and can be deducted as such in the year in which they are made. These contributions will be included as employee income for the year in which they are made by the employer and may be claimed as a deduction by the employee in that same year. The trust's constitutive instrument must state that the participants will be those individuals that through a contract or application claim the benefits provided by such trust.

For more information, refer to Act 409-2000 and Regulation No. 6419 of March 27, 2002.

Line 48 - Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico

Enter the deductible portion (49%) of the "Total" line of:

- the expenses incurred or paid to a related person not engaged in trade or business in Puerto Rico, if such payments are attributable to the conduct of a trade or business in Puerto Rico and are not subject to withholding at source under the Code during the taxable year in which they are incurred or paid, or
- the expenses incurred or paid to a home office located outside of Puerto Rico, by a foreign corporation engaged in trade or business in Puerto Rico through a branch.

For these purposes, the applicable rules to determine the members of a controlled group of corporations or a group of related entities, established in Sections 1010.04 and 1010.05 of the Code, will be applicable when determining the relationship of the corporation with its shareholders and affiliates.

In those cases, in which the entity has submitted a waiver request for evaluation by the Secretary in order to determine if any of the expenses described above should be excluded from the limitation of deductible expenses mentioned above, established by Section 1033.17(a)(17) of the Code and it has been approved, you may exclude part of your expenses from said limitation. This means that the entity will be able to deduct 60% of the total expenses included in the application, while the remaining 40% will be subject to limitation (49%). This exclusion will only apply for a maximum of three taxable years, in applications made for taxable years beginning after December 31, 2014 and before January 1, 2019.

For taxable years beginning after December 31, 2018, the limitation (49%) on deductible expenses will not apply if the entity submits to the Secretary, together with the income tax return, a transfer pricing study that includes an analysis of the operations carried out in Puerto Rico.

However, pursuant to the provisions of Administrative Determination No. 21-05 ("AD 21-05"), the taxpayer will not be required to submit the complete transfer pricing study document together with the return. Instead, the taxpayer must include Form SC 6175 - Certification of Compliance with Sections 1033.17(a)(16) and (17) of the Puerto Rico Internal Revenue Code of 2011, as amended, duly completed and signed, certifying that it has obtained the transfer pricing study and that it was prepared in accordance with the provisions of AD 21-05 and Sections 1033.17(a)(16) and (17) of the Code, as applicable.

In both cases, the aforementioned limitation will not apply and these expenses must be reported on line 49.

Line 49 - Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible

Enter the total expenses, as described on the previous line, if the organization is excluded from the limitation (49%) established by Section 1033.17(a)(17) of the Code, by any provision of law or because the taxpayer requests and the Department of the Treasury approved a waiver to exclude it from the limitation.

In case that the Department has granted a waiver to exclude you from the limitation, you must include with your return copy of the administrative determination in which the waiver was granted.

Line 50 - Losses from fires, storms, other casualties, or theft

It will be allowed as a deduction the losses sustained during the taxable year not compensated by an insurance company or other.

Line 52 - Expenses in property leased to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company

Any eligible business, in accordance with Act 1-2013 (known as the "Employment Now Act"), that leases a building to the Puerto Rico Industrial Development Company or warehouse of the Trade and Export Company, in addition to any other deduction provided by law, may deduct an amount equal to the total capitalized expenses incurred in the construction of improvements, remodeling or repair of the eligible property or leased warehouse, as well as in the acquisition of machinery and equipment to be installed permanently or temporarily in the eligible property or warehouse, as long as the improvements, remodeling, repairs, machinery and equipment are to be used in the operation of the eligible business on which it was agreed in the lease. In addition, improvements, remodeling, repairs, and machinery and equipment may not have been previously used or depreciated.

The total eligible investment for this deduction in excess of the net income of the eligible business in the year of the expense may be claimed as a deduction in subsequent taxable years, until totally used. A deduction for this concept will not be allowed in relation to the portion of the expense or investment on which the eligible business has received economic incentives from the Puerto Rico Industrial Development Company or from any other agency, instrumentality of the Government or municipality of the Government of Puerto Rico. Nor will this deduction apply if the investment has generated other special deductions or tax credits.

Line 53 - Other deductions

Those expense items for which a specific space is not provided in Part IV (C), will be totaled and included as Other Deductions. **Submit with your**

return a schedule detailing those deductions. For this purpose, refer to Statement 10 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

As a general rule, expenses related to the ownership, use, maintenance and depreciation of vessels, aircraft or residential property outside of Puerto Rico are not deductible pursuant to Section 1033.17 of the Code.

Line 55 - Charitable contributions

Contributions or donations to Nonprofit Organizations made during the taxable year will be admissible as a deduction, subject to certain limitations. You may deduct an amount not to exceed 10% of net income, computed without the benefits of this deduction.

Among the nonprofit organizations and other entities approved by the Code and the regulations as entities for which a donation deduction can be claimed are the following:

- the Government of Puerto Rico, the United States, any state, territory or any political subdivision thereof, or the District of Columbia, or any possession of the United States, for exclusively public purposes;
- accredited university-level educational institutions that are established in Puerto Rico; or
- nonprofit organizations created or organized in Puerto Rico, the United States or any of their possessions, that are qualified by the Department of the Treasury, such as those that provide community service, charitable, scientific, literary, art, educational or museum organizations, organizations that are dedicated to the prevention of mistreatment or abuse of children, the elderly or disabled, the prevention of mistreatment or abuse of animals, the prevention of domestic violence or hate crimes, or religious service organizations and social and community economic development.

Submit with the return a schedule detailing the name of the person or institution to whom the payment was made, the employer identification number, the nature of the organization and the amount of the charitable contributions. For this purpose, refer to Statement 11 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativa-return-income-tax-exempt-organizations>.

Line 56 - Allowable deduction for investment in a Private Equity Fund

In case of taxpayers that pursuant to Act 185-2014, as amended, or Act 60-2019 are considered as accredited investors, will be able to claim a deduction for their initial investment in a private equity fund (PEF) or in a private equity fund of Puerto Rico (PEF-PR). For these purposes, a taxpayer will be considered an accredited investor if at the moment of the initial investment in a PEF or PEF-PR is:

- 1) a bank, insurance company, registered investment company, business development company, investment company in small enterprises, International Banking Entity ("IBE") or International Financial Entity ("IFE"). It will be understood that the IBE and the IFE may be accredited investors irrespectively of what is established by the International Banking Center Regulatory Act and the International Financial Center Regulatory Act, respectively;
- 2) a nonprofit organization, corporation or association with assets in excess of five million dollars (\$5,000,000); and

3) a business in which all capital owners are accredited investors.

The amount allowed as a deduction will be the following:

- If the initial investment was made in a PEF, the maximum amount of deduction will be 30% of the initial investment provided that such amount will not exceed 15% of net income before such deduction.
- If the initial investment was made in a PEF-PR, the maximum amount of deduction will be 60% of the initial investment provided that such amount will not exceed 30% of net income before such deduction.

The amount of the deduction that was not claimed in the first year can be carried forward for a maximum period of 10 years if the investment was made in a PEF and 15 years if the investment was made in a PEF-PR. For additional information, refer to Act 185-2014, as amended, and Act 60-2019, as amended.

In case of organizations that qualify to claim this deduction, they must complete the following worksheet to determine the maximum amount allowed as a deduction for initial investment in a PEF or PEF-PR.

Determination of the Deduction:	
1. Amount of capital committed as initial investment that qualifies as contributed during the taxable year (From the certification issued by the PEF or PEF-PR)	\$ _____
2. Applicable percentage:	
• If the investment was in a PEF, enter 30%	_____ %
• If the investment was in a PEF-PR, enter 60%	_____ %
3. Amount of deduction for initial investment contributed during the year (Multiply line 1 by the applicable percentage on line 2)	\$ _____
4. Amount of deduction not claimed in previous years	\$ _____
5. Total deduction for investment in a PEF or PEF-PR (Add lines 3 and 4)	\$ _____
Deduction Limitation:	
6. Net income (Subtract lines 5 and 6, Part I and lines 20, 32, 54 and 55 of Part IV of Schedule A from line 7, Part II, Schedule A. If the sum of lines 5 and 6, Part I and lines 20, 32, 54 and 55 of Part IV is more than line 7 of Part II, enter zero)	\$ _____
7. Applicable percentage:	
• If the investment was in a PEF, enter 15%	_____ %
• If the investment was in a PEF-PR, enter 30%	_____ %
8. Maximum amount allowable as deduction (Multiply line 6 by the applicable percentage of line 7)	\$ _____
9. Allowable deduction on this return (Enter the smaller between lines 5 and 8. Transfer this amount to line 56, Part IV of Schedule A of the return)	\$ _____

You must submit with the return the following documents:

- 1) An official certification issued by the PEF or PEF-PR, printed with the fund's letterhead and signed by the managing partner or principal officer of the same, with the following information:
 - Name and employer identification number of the PEF or PEF-PR;
 - If the fund is a PEF or PEF-PR;
 - Name and employer identification number of the resident investor to whom the certification is issued; and
 - The amount of the capital committed as initial investment that was contributed during the taxable year by the resident investor for which the certification is issued, including any amount that has been contributed after the end of the taxable year but before the resident investor files the income tax return for such taxable year. This amount will be included on line 1 of the worksheet to be completed.
- 2) A schedule that includes the completed worksheet showing how this deduction was determined.
- 3) Copy of the Sworn Statement filed under which the Fund made the election under Act 185-2014, as amended, Act 60-2019 or through SURI, pursuant to the provisions of the Internal Revenue Circular Letter No. 19-03 of February 5, 2019.
- 4) In those cases in which the taxpayer is claiming a deduction from previous years, a detail indicating the taxable year in which the deduction was generated, the amount of deduction generated by the investor, the amount of such deduction that was claimed in previous years, the amount of deduction available for the taxable year and the expiration date of any available unclaimed balance to be used in subsequent years.

PART V - COST OF GOODS SOLD

Select the corresponding box to indicate the method used to value the inventory at the beginning and end of the year (Cost or, cost or market value, whichever is lower).

Detail the other direct costs from line 4 of this part in Part VI of the return.

Enter on line 7 the total costs of sales or direct costs of production (Line 5 minus line 6).

PART VI - OTHER DIRECT COSTS

Those cost items for which a specific space is not provided in Part VI, shall be totaled and entered as other expenses on line 16 of this Part. Submit with your return a schedule detailing said costs. For this purpose, refer to Statement 4 available through your program provider to complete the tax returns or in the Department's website through the following link: <https://hacienda.pr.gov/documentos/2022-planilla-informativa-de-organizacion-exenta-de-contribucion-sobre-ingresos-informativo-return-income-tax-exempt-organizations>.

The total of these costs, according to line 17 of this part, will be equal to the amount in Part V, line 4 of the return.

PARTS VII Y VIII - COMPENSATION TO DIRECTORS, OFFICERS AND KEY EMPLOYEES ATTRIBUTABLE TO THE UNRELATED BUSINESS INCOME

In these parts include that portion of the compensation that was paid or accrued through salaries, concessions or any other type of compensation to the directors (Part VII) and officers and employees who hold key positions in the organization (Part VIII) and who are directly related to unrelated business income.