



DETERMINATION OF ALLOWANCE BASED ON DEDUCTIONS UNDER THE OPTIONAL METHOD

Employee's name	Social security number
Employee's home address	Spouse's social security number
If you select the optional computation of tax in the case of married individuals living together, filing a joint return and both working, check here (See instructions) <input type="checkbox"/>	

FOR EMPLOYEE'S USE ONLY

Select one alternative	<input type="checkbox"/> Alternative 1	<input type="checkbox"/> Alternative 2
1. Optional Standard Deduction (1)		00
2. Estimated Itemized Deductions:		
a. Home mortgage interest (2a)	00	
b. License plates for automobiles used for personal purposes..... (2b)	00	
c. Child care expenses (2c)	00	
d. Expenses incurred in the care of elderly persons (2d)	00	
e. Rent paid (2e)	00	
f. Property tax on principal residence (2f)	00	
g. Casualty loss on your principal residence (2g)	00	
h. Medical expenses (2h)	00	
i. Charitable contributions..... (2i)	00	
j. Loss of personal property as a result of certain casualties (2j)	00	
k. Windmills expenses (2k)	00	
l. Expenses incurred in technological assistance equipment for handicapped persons, and for persons with specialized treatment or chronic disease (2l)	00	
m. Dependent's education expenses (2m)	00	
n. Solar equipment expenses (2n)	00	
o. Interest paid on students loans at university level (2o)	00	
p. Contributions to the Fund for Services Against Remediabale Catastrophic Diseases (2p)	00	
q. Total estimated itemized deductions (2q)	00	
3. Enter 50% of total estimated itemized deductions (3)	00	
4. Estimated Additional Deductions:		
a. Contributions to Individual Retirement Accounts (4a)	00	00
b. Contributions to governmental pension or retirement systems (4b)	00	00
c. Deduction when both spouses work (filing a joint return) (4c)	00	00
d. Veterans (4d)	00	00
e. Ordinary and necessary expenses (4e)	00	00
f. Automobile loan interest (up to \$1,200)..... (4f)	00	00
g. Young people who work (4g)	00	00
h. Educational Contributions Account (4h)	00	00
i. Acquisition and installation of a personal computer used by dependents (4i)	00	00
j. Total estimated additional deductions (4j)	00	00
5. Add total estimated itemized deductions (line 2(q) or 3, as applicable) and total estimated additional deductions (See instructions)..... (5)	00	
6. Add the optional standard deduction and estimated additional deductions..... (6)		00
7. Number of allowances under Alternative 1 (Line 5 divided by \$500) (7)		
8. Number of allowances under Alternative 2 (Line 6 divided by \$500) (8)		
9. Allowances that you want to claim under Alternative 1 (From the total of line 7) (9)		
10. Allowances that you want to claim under Alternative 2 (From the total of line 8) (10)		

OATH

I declare under the penalty of perjury that I have examined this form, and to the best of my knowledge, the information contained herein is true, correct and complete.

Employee's signature

Date

FOR EMPLOYER'S USE ONLY

- (i) Number of Allowances (Under the Percentage Method) (Line 9 or 10)
- (ii) Number of Allowances (Under the Wage Bracket Method) (Line 9 or 10 multiplied by \$500 and divided by \$2,500)

INSTRUCTIONS

This form has been developed to be used by those employees who indicate in Part C of the Withholding Exemption Certificate (Form 499 R-4.1), their preference for the **Optional Method in order to determine their allowances based on deductions.**

The employee shall provide on the upper part of this Form 499 R-4B the following information: name, home address, your and your spouse's social security number, and indicate if you elect the optional computation of tax in the case of married individuals living together, filing a joint return and both working (**optional computation of tax**), as provided by Section 1011(d) of the Puerto Rico Internal Revenue Code of 1994, as amended (Code).

GENERAL PROVISIONS

The Code allows the taxpayers as part of the withholding exemption, in addition to the personal exemption and the exemption for dependents, an allowance based on deductions. In order to determine the number of allowances based on deductions, the following two methods are provided: (1) the Automatic Method and (2) the Optional Method.

Under the Automatic Method, the number of allowances based on deductions is determined following the instructions appearing on the reverse side of the Withholding Exemption Certificate (Form 499 R-4.1).

Under the Optional Method, the number of allowances based on deductions will be determined according to one of the following alternatives:

Alternative 1: The approximate total of deductions that you estimate you will be entitled to deduct when computing your net income for the corresponding taxable year, for the itemized and additional deductions, divided by \$500, or

Alternative 2: The total optional standard deduction that you are entitled to deduct, plus the approximate total of the additional deductions that you estimate you will be entitled to deduct when computing your net income for a taxable year, divided by \$500.

In the case of a married couple filing a joint return and both spouses receive wages subject to withholding of income tax at source, and elect the Optional Method, they are entitled to determine the number of allowances based on deductions considering their combined deductions. The spouses may divide between them the total allowances as they choose, but such election shall be based on complete allowances. Notwithstanding, any allowance claimed by one of the spouses shall not be claimed by the other. In such cases, each spouse shall fill out Form 499 R-4B, with the same information on every line, except on line 9 (if they elect Alternative 1), or line 10 (if both elect Alternative 2), where each spouse shall indicate to his or her employer the number of allowances, previously figured on line 7 or 8, that he or she wish to consider for withholding exemption purposes.

Nevertheless, if the married couple file a joint return, elect the **optional computation of tax**, and use this Optional Method to determine the allowance based on deductions, the number of allowances shall be determined by dividing the deductions among the spouses, as provided by Section 1011(d) of the Code. That is, the itemized deductions shall be attributed to each spouse on a 50% basis of the total (line 3, Alternative 1), and the additional deductions (line 4) shall be allowed to the spouse to whom they individually correspond, to the extent and subject to the provisions of subsection (bb) of Section 1023 of the Code. In this way, the spouses may take as the basis to determine the allowances, the deductions they are entitled to claim individually. Like this, any allowance claimed by one spouse cannot be claimed by the other spouse. It is important that when each spouse fill out Form 499 R-4B, check the box to indicate that he or she elects the **optional computation of tax**.

On the other hand, in the case of married persons living with spouse and filing separate returns, where both spouses receive wages subject to withholding of income tax at source, they shall elect the same alternative under the Optional Method and each one shall complete a Form 499 R-4B, indicating the amount of total deductions he or she is entitled to deduct.

SPECIFIC INSTRUCTIONS

Line 1 – Optional Standard Deduction

Enter the standard deduction corresponding to your personal status, if you elected Alternative 2 to determine the allowances. The total amount of the optional standard deduction allowable under the Code is the following:

Married person living with spouse and filing jointly	\$3,150
Head of household	\$2,730
Single or married person not living with spouse	\$2,100
Married person living with spouse and filing separately	\$1,575

Nevertheless, if the married couple file a joint return and elects the **optional computation of tax**, the standard deduction will be the one provided in Section 1023(aa)(1)(D) of the Code for married person filing separately, that is, \$1,575.

Line 2 – Estimated Itemized Deductions

Enter the estimated itemized deductions as applicable (lines 2(a) through 2(p)), if you elected Alternative 1 for the computation of the allowances. Enter the total allowances on line 2(q).

To determine the estimated deduction for Medical Expenses and Charitable Contributions (lines 2(h) and 2(i), respectively), you shall consider the restrictions and limitations provided by the Code.

Line 3 – Enter 50% of the total estimated itemized deductions

Use this line (Alternative 1) to determine the 50% of estimated itemized deductions, if you file a joint return and elect the **optional computation of tax**. Section 1011(d) of the Code provides that itemized deductions shall be attributed to each spouse on a 50% basis of the total.

Line 4 – Estimated Additional Deductions

Enter in the corresponding column the additional deductions you will be entitled to deduct, as applicable (lines 4(a) through 4(i)). Enter the total on line 4(j).

Line 5 – Sum of total estimated itemized and additional deductions

If you have elected Alternative 1, add the estimated total of the itemized deductions (line 2(q) or 3 of the first column, as applicable) and additional deductions (line 4(j), first column) that you are entitled to claim.

Line 6 – Sum of optional standard deduction and estimated additional deductions

If you have elected Alternative 2, add the optional standard deduction (line 1, second column) and the total estimated additional deductions (line 4(j), second column) that you are entitled to claim.

Line 7 – Number of allowances under Alternative 1

Divide the amount figured on line 5 by \$500 and enter the result on this line. Any fraction obtained as a result of the preceding division exceeding 50%, shall be considered as an additional allowance.

Line 8 - Number of allowances under Alternative 2

Divide the amount figured on line 6 by \$500 and enter the result on this line. Any fraction obtained as a result of the preceding division exceeding 50%, shall be considered as an additional allowance.

Lines 9 and 10 – Allowances that you want to claim under Alternative 1 or 2

After carrying out the mathematical operation indicated on line 7 or 8, you shall indicate on line 9 or 10, the number of allowances that you wish to consider for withholding exemption purposes. However, if you elect the **optional computation of tax**, you shall use the number of allowances determined on lines 7 or 8.

OATH

You declare under penalty of perjury, that you have examined this form, and that to the best of your knowledge, the information contained therein is true, correct and complete.

SIGNATURE

This form must be signed and dated by the employee.

PENALTIES

Any employee required to submit a withholding exemption certificate to his or her employer, who willfully provides false or fraudulent information, or who willfully fails to provide information which would require an increase in the tax to be withheld, shall be guilty of a misdemeanor.

In the case of employees who elect the Optional Method, in addition to the criminal penalty mentioned in the above paragraph, if the 70% of tax attributable to income derived from wages subject to withholding exceeds the tax withheld at source on said income, there shall be added to the tax the smaller of: (1) an amount equal to such excess, or (2) an amount equal to 18% of the amount for which such tax so determined exceeds the tax withheld.

INSTRUCTIONS TO THE EMPLOYER

Employers using the Percentage Method, shall indicate on line (i) the number of allowances figured by the employee on line 9 (if the employee elected Alternative 1), or on line 10 (if the employee elected Alternative 2).

Employers using the Wage Bracket Method, shall determine the number of allowances multiplying the number of allowances figured by the employee on line 9 or 10 by \$500, and dividing the result by \$2,500. To make easier the use of these tables, each allowance was incorporated to them on the basis of \$2,500, which is equivalent to the amount allowable as exemption for dependents. The number of allowances so determined, shall be entered on line (ii). Any fraction obtained as a result of the previous division, shall not be considered as an additional allowance.

The employer must transfer to the corresponding line of the Withholding Exemption Certificate (Form 499 R-4.1), the number of allowances indicated on line (i) (if the Percentage Method is used), or on line (ii) (if the Wage Bracket Method is used), as applicable.