

Reviewer:	Liquidator:	COMMONWEALTH OF PUERTO RICO DEPARTMENT OF THE TREASURY		Serial Number
Field audited by:		Year	Year	
Date ____/____/____		<b>EMPLOYEES OWNED SPECIAL CORPORATION INFORMATIVE TAX RETURN</b>		
R M N		TAXABLE YEAR BEGINNING ON _____, ____ AND ENDING ON _____		
Entity's Name		Employer's Identification Number		
Postal Address		Industrial Code      Municipal Code		
Zip Code		Telephone Number - Extension		
Location of Principal Industry or Business - Number, Street, Town		Date Incorporated		
Type of Principal Industry or Business		Month ____ Day ____ Year ____		
Date of election to operate as Employees Owned Special Corporation		Place Incorporated		
		Total Forms 480.6 CPT		
<b>AMENDED RETURN</b>				
Receipt Stamp				

  

<b>Part I</b>	<b>Computation of the Net Operating Income</b>		<b>Amount</b>
	1. Net operating income (or loss) before adjustments (Part VI, line 41)..... (1)		00
	2. Allowable deduction to manufacturing businesses that do not have an exemption under any Industrial or Tax Incentives Act ..... (2)		00
	3. Deduction for the creation of new jobs (Submit Schedule ET):		
	a) Enter 15% of payroll or total income advances attributable to the creation of 3 to 5 jobs ..... (3a)	00	
	b) Enter 20% of payroll or total income advances attributable to the creation of 6 to 10 jobs ..... (3b)	00	
	c) Enter 25% of payroll or total income advances attributable to the creation of 11 or more jobs ..... (3c)	00	
	d) Enter the applicable deduction ..... (3d)	00	
	4. <b>Total operating income (or loss)</b> (Subtract lines 2 and 3(d) from line 1)..... (4)		00

  

<b>Part II</b>	<b>Distributable Share per Category</b>		
	1. Net long term capital gain (or loss) on sale or exchange of capital assets (Schedule D Corporation) .... (1)		00
	2. Net short term capital gain (or loss) on sale or exchange of capital assets (Schedule D Corporation) .... (2)		00
	3. Net gain (or loss) on sale or exchange of substantially all assets dedicated to an activity under Act No. 78 of 1993 (Schedule D Corporation)..... (3)		00
	4. Net gain (or loss) on sale or exchange of property used in the business (Schedule D Corporation).... (4)		00
	5. Net operating income (or loss) of the corporation (Part I, line 4)..... (5)		00
	6. Net income (or loss) from partially exempt income (Schedule L, Part I, line 3)..... (6)		00
	7. Eligible distribution of dividends from corporations or profits from partnerships (See instructions)..... (7)		00
	8. Charitable contributions..... (8)		00
	9. <b>Total</b> (Add lines 1 through 8)..... (9)		00

  

<b>Part III</b>	<b>Credits</b>		
	1. Credit for taxes paid to the United States, its possessions and foreign countries (Schedule C Corporation)..... (1)		00
	2. Credit for investment in the Capital Investment Fund, Tourism and other funds or direct investment (Schedule Q)..... (2)		00
	3. Credit attributable to losses in the Capital Investment Fund or other funds (Schedule Q)..... (3)		00
	4. Credit for tax withheld at source from Industrial Development dividends (Act No. 8 of 1987)..... (4)		00
	5. Credit for contribution to the Educational Foundation for Free Selection of Schools..... (5)		00
	6. Credit for the purchase of tax credits (Submit detail)..... (6)		00
		7. <b>Total tax credits</b> (Add lines 1 through 6)..... (7)	

  

<b>Part IV</b>	<b>Withholdings</b>		
	1. Tax withheld at source on eligible distributions of profits or dividends..... (1)		00
	2. Tax withheld at source (Form 480.6B or 480.30)..... (2)		00
	3. <b>Total</b> (Add lines 1 and 2)..... (3)		00

Part V	1. Net sales..... (1)		00	
	Less: Costs of goods sold or direct costs of production:			
	2. Inventory at the beginning of the year <input type="checkbox"/> "C" <input type="checkbox"/> "C" or "MV".....			
	(a) Materials ..... (2a)		00	
	(b) Goods in process ..... (2b)		00	
	(c) Finished goods or merchandise ..... (2c)		00	
	3. Purchase of materials or merchandise ..... (3)		00	
	4. Direct wages ..... (4)		00	
	5. Other direct costs (Detail on Part VII) ..... (5)		00	
	6. Total cost goods available for sale (Add lines 2 through 5) .... (6)		00	
	7. Less: Inventory at the end of the year <input type="checkbox"/> "C" <input type="checkbox"/> "C" or "MV".....			
	(a) Materials ..... (7a)		00	
	(b) Goods in process ..... (7b)		00	
	(c) Finished goods or merchandise ..... (7c)		00	00
8. Gross profit on sales or production ..... (8)			00	
9. Loss from the sale or exchange of property used in business ..... (9)			00	
10. Rent ..... (10)			00	
11. Interest ..... (11)			00	
12. Commissions ..... (12)			00	
13. Miscellaneous income ..... (13)			00	
14. <b>Total Gross Income</b> (Add lines 8 through 13)..... (14)			00	
Part VI	15. Salaries or income advance earned (Submit Schedule ET) ..... (15)		00	
	16. Salaries, commissions and bonuses to employees ..... (16)		00	
	17. Commissions to businesses ..... (17)		00	
	18. Social security tax (FICA) ..... (18)		00	
	19. Unemployment tax ..... (19)		00	
	20. State Insurance Fund premiums ..... (20)		00	
	21. Medical or hospitalization insurance ..... (21)		00	
	22. Insurance ..... (22)		00	
	23. Interest ..... (23)		00	
	24. Rent ..... (24)		00	
	25. Property tax: (a) Personal _____ (b) Real _____ ..... (25)		00	
	26. Other taxes, patents and licenses (Submit detail) ..... (26)		00	
	27. Losses from fire, storm, other casualties or theft ..... (27)		00	
	28. Motor vehicle expenses ..... (28)		00	
	29. Meal and entertainment expenses (Total _____)..... (29)		00	
	30. Travel expenses ..... (30)		00	
	31. Professional services ..... (31)		00	
	32. Contributions to pensions and other qualified plans ..... (32)		00	
	33. Current depreciation and amortization (Submit Schedule E Corporation) ..... (33)		00	
	34. Flexible depreciation (Submit Schedule E Corporation) ..... (34)		00	
	35. Accelerated depreciation (Submit Schedule E Corporation) ..... (35)		00	
	36. Bad debts (See instructions) ..... (36)		00	
	37. Organization and syndication ..... (37)		00	
	38. Deduction for employers who employ handicapped persons ..... (38)		00	
39. Other deductions (Submit detail) ..... (39)		00		
40. <b>Total deductions</b> (Add lines 15 through 39) ..... (40)			00	
41. <b>Net operating income (or loss)</b> (Subtract line 40 from line 14. Enter on Part I, line 1)..... (41)			00	
Part VII	1. Salaries, wages and bonuses ..... (1)		00	
	2. Social security tax (FICA) ..... (2)		00	
	3. Unemployment tax ..... (3)		00	
	4. State Insurance Fund premiums ..... (4)		00	
	5. Medical or hospitalization insurance .. (5)		00	
	6. Other insurance ..... (6)		00	
	7. Excise taxes ..... (7)		00	
	8. Repairs ..... (8)			00
	9. Utilities ..... (9)			00
	10. Current depreciation (Submit Schedule E)..... (10)			00
	11. Flexible depreciation (Submit Schedule E).... (11)			00
	12. Accelerated depreciation (Submit Schedule E) (12)			00
	13. Other expenses (Submit detail) ..... (13)			00
	14. <b>Total other direct costs</b> (Add lines 1 through 13. Same as Part V, line 5) ..... (14)			00

**Comparative Balance Sheet**

	Assets	Beginning of the Year		Ending of the Year	
			Total		Total
Part VIII	1. Cash on hands and in bank ..... (1)		00	(1)	00
	2. Accounts receivable ..... (2)	00		(2)	00
	3. Less: Reserve for bad debts ..... (3)	00	00	(3)	00
	4. Notes receivable ..... (4)		00	(4)	00
	5. Inventories ..... (5)		00	(5)	00
	6. Investments ..... (6)		00	(6)	00
	7. Depreciable assets ..... (7)	00		(7)	00
	8. Less: Reserve for depreciation ..... (8)	00	00	(8)	00
	9. Land ..... (9)		00	(9)	00
	10. Other assets ..... (10)		00	(10)	00
	11. <b>Total Assets</b> ..... (11)		00	(11)	00
	<b>Liabilities and Net Worth</b>				
	<b>Liabilities</b>				
	12. Accounts payable ..... (12)	00		(12)	00
	13. Notes payable ..... (13)	00		(13)	00
	14. Accrued expenses (not paid) ..... (14)	00		(14)	00
	15. Other liabilities ..... (15)	00		(15)	00
	16. <b>Total Liabilities</b> ..... (16)		00	(16)	00
	<b>Net worth</b>				
	17. Collective Reserve Account ..... (17)	00		(17)	00
	18. Social Fund Account ..... (18)	00		(18)	00
	19. Internal Capital Account ..... (19)	00		(19)	00
	20. <b>Total Net Capital</b> ..... (20)		00	(20)	00
	21. <b>Total Liabilities and Net Worth</b> ..... (21)		00	(21)	00

**Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return**

Part IX	1. Net income per books ..... (1)	00	5. Income recorded on books this year not included on this return	
	2. Taxable income not recorded on books this year (Itemize)		(a) Exempt interest from credit notices for productivity and patronage .....	
	(a) .....		(b) Credit notices credited to the internal capital account .....	
	(b) .....		(c) .....	
	(c) .....		Total.....(5)	00
	Total ..... (2)	00	6. Deductions on this tax return not charged against book income this year	
	3. Expenses recorded on books this year not claimed on this return		(a) Depreciation .....	
	(a) Meal and entertainment (amount not claimed) .....		(b) .....	
Part X	(b) Depreciation .....		Total.....(6)	00
	(c) .....		7. Total (Add lines 5 and 6) .....(7)	00
	(d) .....		8. <b>Net taxable income (or loss) per return</b>	
	Total ..... (3)	00	(Subtract line 7 from line 4)(Same as line 9, Part II) (8)	00
Part X	4. <b>Total</b> (Add lines 1 through 3) ..... (4)	00		

**Analysis of Capital Accounts per Books**

	Collective Reserve	Social Fund	Internal Capital	Total
1. Balance at beginning of the year ..... (1)	00	00	00	00
2. Net income (or loss) ..... (2)	00	00	00	00
3. Increases:				
a) Members contributions ..... (3a)	00	00	00	00
b) Others ..... (3b)	00	00	00	00
4. Decreases:				
a) Housing financing programs ..... (4a)		00	00	00
b) Contributions ..... (4b)		00	00	00
c) Property ..... (4c)	00			00
d) Others ..... (4d)	00	00	00	00
e) Permanent improvements ..... (4e)	00			00
5. Distribution of credit notices for productivity and patronage ..... (5)			00	00
6. <b>Balance at end of the year</b> ..... (6)	00	00	00	00

## Questionnaire

Part XI

1. Did the Employees Owned Special Corporation keep any part of its records on a computerized system during this year? ..... (1)
2. The Employees Owned Special Corporation books are in care of:  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_
3. Indicate if the corporation had partially exempt income under the following acts:  
☐ Act No. 52 of 1983      ☐ Act No. 26 of 1978  
☐ Act No. 78 of 1993      ☐ Act No. 8 of 1987  
☐ Act No. 57 of 1963
4. Indicate if this year you elected an exemption provided by:  
☐ Act No. 52 of 1983      ☐ Act No. 26 of 1978  
☐ Act No. 78 of 1993      ☐ Act No. 8 of 1987  
☐ Act No. 57 of 1963
5. Indicate accounting method used:  
☐ Cash      ☐ Accrual  
☐ Other (specify): \_\_\_\_\_
6. Did the corporation file the following documents?  
 (a) Informative Returns (Forms 480.5, 480.6A, 480.6B). (6a)  
 (b) Withholding Statement (Form 499R-2/W-2PR) ..... (6b)

7. Did you submit financial statements certified by a CPA licensed in Puerto Rico? (required if the gross income exceeds \$1,000,000. See instructions) ..... (7)
8. Did the Employees Owned Special Corporation claim deductions for expenses connected with:  
 (a) Vessels? ..... (8a)  
 (b) Living expenses? ..... (8b)  
 (c) Employees attending conventions or meetings outside Puerto Rico or the United States? ..... (8c)
9. Did the corporation had earnings or profits related to periods when it was not an Employees Owned Special Corporation, or received in liquidations or reorganizations? ..... (9)  
Enter amount: \_\_\_\_\_
10. Did the Employees Owned Special Corporation distribute profits during the taxable year? ..... (10)
11. Is the Employees Owned Special Corporation a member of other Employees Owned Special Corporation? ..... (11)  
Name: \_\_\_\_\_  
Employer's identification number: \_\_\_\_\_  
Indicate the proportion: \_\_\_\_\_
12. Enter the amount of exempt interest: \_\_\_\_\_
13. Did the corporation made charitable contributions to municipalities? ..... (13)  
Enter the amount: \_\_\_\_\_
14. Enter the amount of members: \_\_\_\_\_
15. Number of new jobs: \_\_\_\_\_

## OATH

We, the undersigned, president (or vice president or other principal officer) and treasurer (or assistant treasurer) of the corporation for which this Employees Owned Special Corporation Informative Tax Return is made, each for himself, declare under the penalty of perjury, that this return (including schedules and statements attached) has been examined by us, and to the best of our knowledge and belief, is a true, correct and complete return, made in good faith, pursuant to the Puerto Rico Internal Revenue Code of 1994, as amended, and the Regulations thereunder.

\_\_\_\_\_  
President's or vice president's signature\_\_\_\_\_  
Treasurer's or assistant treasurer's signature

Affidavit No. \_\_\_\_\_

Sworn and subscribed before me by \_\_\_\_\_, of legal age, \_\_\_\_\_ [civil status],  
 \_\_\_\_\_ [occupation], and resident of \_\_\_\_\_, \_\_\_\_\_, and by \_\_\_\_\_,  
 of legal age, \_\_\_\_\_ [civil status], \_\_\_\_\_ [occupation], and resident of \_\_\_\_\_,  
 personally known by me or identified by means of \_\_\_\_\_, in \_\_\_\_\_, \_\_\_\_\_, this \_\_\_\_\_th  
 day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Title of the person administering oath\_\_\_\_\_  
Signature of the person administering oath

## Specialist's Use Only

I declare under the penalty of perjury that this return (including schedules and statements attached) has been examined by me and to the best of my knowledge and belief is a true, correct and complete return. The declaration of the person that prepares this return is with respect to the information received, and this information may be verified.

Specialist's name (Print letter)	Registration No. 	Date	Check if self employed <input type="checkbox"/>	Specialist's Social Security number 
Firm's name				Employer's Identification number 
Specialist's signature				
Address				Zip Code

## Rev. 03.99



## YEAR

Taxable year beginning on \_\_\_\_\_, \_\_\_\_\_ and ending on \_\_\_\_\_, \_\_\_\_\_

**Taxpayer's Name**

**Employer's Identification Number**[illegible]

Schedule ET

Rev. 03.99



List of Salaries or Income Advances Earned for  
Ordinary Members  
During the Taxable Year

Type of Industry or Business \_\_\_\_\_

\_\_\_\_\_  
YEAR

Taxable year beginning on \_\_\_\_\_, \_\_\_\_\_ and ending on \_\_\_\_\_, \_\_\_\_\_

Taxpayer's Name			Employer's Identification Number	
Ordinary Member Name	Social Security Number	Beginning date of employment	Classification (N=New) (E=Existent)	Salary or income advance earned during the taxable year
TOTAL				

**Schedule L****(SP, IC, ESC)**

Rev.03.99

**PARTIALLY EXEMPT INCOME****YEAR**

Taxable year beginning on \_\_\_\_\_, \_\_\_\_ and ending on \_\_\_\_\_, \_\_\_\_

Entity's Name

Case Number

Employer's Identification Number

Type of Entity:

☐ Special Partnership (SP) ☐ Corporation of Individuals (CI) ☐ Employees Owned Special Corporation (ESC)

Partially Exempt Income (Check one):

Act No. 52 of 1983

☐

Act No. 78 of 1993

☐

Act No. 47 of 1987

☐

Act No. 225 of 1995

☐**Part I****Net Income (or Loss)**

1. Net operating income (or loss) for the year (Part III, line 40) .....	(1)		00
2. Exempt amount <input type="text"/> % .....	(2)		00
3. Net income (or loss) from partially exempt activities (Subtract line 2 from line 1. Enter here and on Part II, line 6 of the return) .....	(3)		00

**Part II****Gross Profit on Sales or Production and Other Income**

1. Net sales .....	(1)		00
Less: Cost of goods sold or direct costs of production			
2. Inventory at the beginning of the year <input type="checkbox"/> "C" <input type="checkbox"/> "C" or "MV"			
(a) Materials .....	(2a)		00
(b) Goods in process .....	(2b)		00
(c) Finished goods or merchandise.....	(2c)		00
3. Purchase of materials or merchandise .....	(3)		00
4. Direct wages .....	(4)		00
5. Other direct costs (Detail on Part IV) .....	(5)		00
6. Total cost of goods available for sale (Add lines 2 through 5) .	(6)		00
7. Less: Inventory at end of year <input type="checkbox"/> "C" <input type="checkbox"/> "C" or "MV"			
(a) Materials .....	(7a)		00
(b) Goods in process .....	(7b)		00
(c) Finished goods or merchandise.....	(7c)		00
8. Gross profit on sales or production .....	(8)		00
9. Capital assets gain (or loss) (Schedule D Corporation) .....	(9)		00
10. Gain (or loss) from the sale of property other than capital assets (Schedule D Corporation).....	(10)		00
11. Interest.....	(11)		00
12. Other income (Submit detail).....	(12)		00
13. <b>Total gross income</b> (Add lines 8 through 12) .....	(13)		00

**Part III Deductions and Net Operating Income**

14. Compensation to partners (stockholders) or officers.....	(14)		00	
15. Salaries, bonuses and commissions to employees .....	(15)		00	
16. Commissions to businesses .....	(16)		00	
17. Social security tax (FICA).....	(17)		00	
18. Unemployment tax .....	(18)		00	
19. State Insurance Fund premiums.....	(19)		00	
20. Medical or hospitalization insurance.....	(20)		00	
21. Insurance.....	(21)		00	
22. Interest.....	(22)		00	
23. Rent.....	(23)		00	
24. Property tax (a) Personal..... (b) Real.....	(24)		00	
25. Other taxes, patents and licenses (Submit detail) .....	(25)		00	
26. Losses from fire, storm, theft or other casualties .....	(26)		00	
27. Motor vehicle expenses (Do not include depreciation) .....	(27)		00	
28. Meal and entertainment expenses (Total .....) .....	(28)		00	
29. Travel expenses.....	(29)		00	
30. Professional services.....	(30)		00	
31. Contributions to pensions and other qualified plans (See instructions) .....	(31)		00	
32. Current depreciation and amortization (Submit Schedule E Corporation) .....	(32)		00	
33. Flexible depreciation (Submit Schedule E Corporation).....	(33)		00	
34. Accelerated depreciation (Submit Schedule E Corporation).....	(34)		00	
35. Bad debts (See instructions of line 36 or 37 of the return, whichever applies. Submit detail) ...	(35)		00	
36. Charitable contributions .....	(36)		00	
37. Repairs .....	(37)		00	
38. Other deductions (Submit detail) .....	(38)		00	
39. <b>Total deductions</b> (Add lines 14 through 38).....	(39)			00
40. <b>Net operating income (or loss) for the year</b> (Subtract line 39 from line 13. Enter here and on Part I, line 1).....	(40)			00

**Part IV Detail of Other Direct Costs**

1. Salaries, wages and bonuses.....	(1)		00	8. Repairs.....	(8)		00
2. Social security tax (FICA).....	(2)		00	9. Utilities.....	(9)		00
3. Unemployment tax.....	(3)		00	10. Current depreciation (Submit Schedule E). (10)			00
4. State Insurance Fund premiums.....	(4)		00	11. Flexible depreciation (Submit Schedule E) (11)			00
5. Medical or hospitalization insurance.....	(5)		00	12. Accelerated depreciation (Submit Schedule E) (12)			00
6. Other insurance.....	(6)		00	13. Other expenses (Submit detail).....	(13)		00
7. Excise taxes.....	(7)		00	14. <b>Total other direct costs</b> (Add lines 1 through 13. Enter on Part II, line 5).....	(14)		00



COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF THE TREASURY



Rev. 03.99

**INSTRUCTIONS FOR THE EMPLOYEES  
OWNED SPECIAL CORPORATION  
INFORMATIVE RETURN  
FORM 480.20(CPT)**

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## GENERAL INSTRUCTIONS

### WHO MUST FILE THIS RETURN?

Every corporation or partnership engaged in industry or business in Puerto Rico that have elected the benefits of an Employees Owned Special Corporation must file a return for income earned during the corresponding taxable year.

For the purpose of this return, the terms employees owned special corporation and member will have the same meaning of corporations and stockholders under the benefits of an Employees Owned Special Corporation.

### WHEN AND WHERE IT MUST BE FILED?

This return must be filed not later than the 15th day of the fourth month following the closing of the corporation's taxable year.

The return must be filed in the Department of the Treasury, Returns Processing Bureau, located at 10 Paseo Covadonga, Stop 1, Intendente Ramírez Building, San Juan or sent by mail to the following address:

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

It may also be delivered to the Collections Office of your municipality or in the District Offices of the Department.

### AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A 90 days automatic extension of time will be granted for filing the return if it is requested not later than the due date to file the return. This is done through Form AS 2644.

### COLUMN OF CENTS

While completing the tax return, the column of cents will not be used. **It is important to remind you that is not about rounding off, but eliminating the cents. See the following example:**

**\$480.90 = \$480**

**\$475.25 = \$475**

### TAXPAYER'S ASSISTANCE

#### Technical assistance:

For additional information on the technical content of this pamphlet or to clarify any doubts, please call the Consulting Section **721-2020** extension **3611** or toll free at **1-800-981-9236**.

#### Claims:

For claims on the Employees Owned Special Corporation Return, please call **721-2020** extension **3610** or toll free at **1-800-981-7666**.

## INSTRUCTIONS TO COMPLETE THE RETURN

### HEADING OF THE RETURN

If the taxable year of the corporation is a calendar year, there is no need to enter the date on which the taxable year begins and ends, only the corresponding year. If it is a fiscal year, you must enter the date in the box provided in the return.

Enter the name, address and employer's identification number of the corporation. **The employer's identification number is required to process the return.**

Enter in the corresponding box the complete address where the business or principal office is located, type of business, the date and place incorporated.

Enter in the corresponding box the number of Forms 480.6 CPT included with the return. A copy of the Forms 480.6 CPT given to each member must be included with the return.

### PART I - COMPUTATION OF THE NET OPERATING INCOME

#### Line 2 - Allowable deduction to manufacturing businesses that do not have an exemption under any Industrial or Tax Incentives Act

The Employees Owned Special Corporation engaged in manufacturing business that do not have a tax exemption under any Industrial or Tax Incentives Acts, will be granted, at its option, one of the following deductions:

- 1) those Employees Owned Special Corporation which net income not assigned to the Collective Reserve Account and to the Social Fund and which has not been capitalized, exceeds \$200,000, and which has kept an average job or working position for ordinary members of 20 or more persons during said taxable year, may deduct the first \$40,000 of said income of the Credit Notices for Productivity and Patronage proportionally distributed to their ordinary and extraordinary members, that has not been capitalized, as applicable, so such amount may be totally exempt from the payment of income tax; or
- 2) those Employees Owned Special Corporation that in any taxable year derives a total net

income smaller than \$20,000 per job or working position for ordinary production members, may take a deduction equivalent to the 15% of their payroll or total advance production income up to a maximum of 50% of the Credit Notices for Productivity and Patronage distributed during the taxable year to its ordinary and extraordinary members, as applicable.

#### Line 3 - Deduction for the creation of new jobs

To claim this deduction you must include Schedule ET (List of Salaries or Income Advances Earned for Ordinary Members During the Taxable Year), listing the name of the employee or ordinary member, date on which began in the position, the classification and salary or income advance earned during said taxable year.

**Lines 3(a), 3(b) and 3(c)** - Enter the deduction to which the Employees Owned Special Corporation is entitled according to the new jobs created.

To claim this annual deduction, the Employees Owned Special Corporation will keep the level of jobs or working positions for ordinary members, and payroll or total advances during the previous taxable year, as applicable.

### PART II - DISTRIBUTABLE SHARE PER CATEGORY

Enter the amount derived from each activity and the corresponding tax withheld, if any. The Employees Owned Special Corporations do not have the option to consider as ordinary income the items described on lines 1 through 7 of this Part II.

#### Line 1 - Net long term capital gain (or loss) on sale or exchange of capital assets

Enter the gain or loss derived from the sale or exchange of capital assets held by the corporation more than six months.

#### Line 2 - Net short term capital gain (or loss) on the sale or exchange of capital assets

Enter the gain or loss derived from the sale or exchange of capital assets held by the corporation for six months or less.

**Line 5 - Net operating income (or loss) of the corporation**

Enter the net income or loss from the operations of the eligible activities. Do not include the gains or losses from lines 1, 2, 3, 4, 6, 7 and 8 of Part II.

**Line 6 - Net income (or loss) from partially exempt income**

Enter on this line the sum of the net operating income or loss covered under Act 52 of 1983, Act 78 of 1993 or Act 225 of 1995. Add lines 3 of Part I of all Schedules L (SP, IC, ESC) included in the return.

**Line 7- Eligible distribution of dividends from corporations or profits from partnerships**

Enter the amount of dividends received by the corporation from eligible distributions according to the definition on Section 1012(c) of the Code according to their distributable share, along with the portion of 10% of tax withheld.

Nevertheless, the distributive share which consists of dividends or benefits subject to the provisions of Section 1012 of the Code in the hands of the special corporation, will not retain the character of eligible distribution under such Section when the member is not himself an eligible person, as said term is defined in Section 1012(d) of the Code.

**PART III - CREDITS**

**Line 1 - Credit for taxes paid to the United States, its possessions and foreign countries**

For more information on how to complete Schedule C Corporation please refer to the INSTRUCTIONS TO COMPLETE THE SCHEDULES of the Income Tax Return of Taxable Corporations and Partnerships.

**Line 2 - Credit for investment in the Capital Investment Fund, Tourism and other funds or direct investment**

Enter the amount determined in Schedule Q.

**To claim this credit you must submit with the return the following:**

- 1) Schedules Q and Q1 duly completed.
- 2) A document indicating or evidencing the credit earned for the investment in different capital

investment funds or direct investments, such as Solid Waste Facilities, Tax Incentives, Agriculture Incentives, Feature Films, as well as Touristic Development Fund.

- 3) Copy of the certification issued by the regulatory agencies.
- 4) Copy of the notification or sworn statement issued by the regulatory agency to inform the credit distribution.

**Line 3 - Credit attributable to losses in the Capital Investment Fund or other funds**

Enter the amount determined in Schedule Q. This will be the credit attributable to losses in the Capital Investment Fund or other funds.

**Line 4 - Credit for tax withheld at source from Industrial Development dividends (Act No. 8 of 1987)**

Enter the tax withheld on dividends from Industrial Development income under the Tax Incentives Act (Act 8 of January 24, 1987).

**Line 5 - Credit for contribution to the Educational Foundation for Free Selection of Schools**

Enter the contributions made, up to \$500, to the Educational Foundation for Free Selection of Schools.

The contributions made in excess of the allowed credit will be granted as a deduction under charitable contributions, up to the limitations established in the Code.

**To claim this credit, a certification from the Educational Foundation or copy of the cancelled check should be submitted as evidence of the contribution made.**

**Line 6 - Credit for the purchase of tax credits**

Enter the tax credit acquired during the year through the purchase, exchange or transfer made by the investor or participant of the primary investor. See instructions of Schedule Q regarding the percentages and limitations to claim in the return.

To claim this credit, the transferor and the transferee must submit a sworn statement notifying the transfer to the Secretary. The sworn statement must be submitted with the income tax returns, in the year in which the transaction is made.

## **PART IV - WITHHOLDINGS**

Enter on lines 1 and 2 the amount of tax withheld concerning the income indicated on these lines. You must submit the corresponding Forms in order to verify the amount claimed.

## **PART V - GROSS PROFIT ON SALES, MANUFACTURE AND OTHER INCOME**

Enter manufacturing and sales costs, and gross profit from sales. Check the applicable box to indicate your inventory appraisal method at the beginning and end of year.

Itemize on Part VII of the return the other direct costs shown on line 5. Note that the flexible depreciation of assets used in manufacture will be included as Other Direct Costs on Part VII, line 11. The flexible depreciation of assets, other than manufacturing, must be entered on Part VI, line 34.

## **PART VI - DEDUCTIONS AND NET OPERATING INCOME**

Enter the deductions related to your operations on lines 15 through 39. Information is provided regarding some of those deductions.

### **Line 23 - Interest**

Enter the interest paid or accrued during the year. In case of a financial institution, no deduction shall be allowed for that portion of exempt interest expenses attributable to exempt obligations acquired after December 31, 1987.

### **Line 26 - Other taxes, patents and licenses**

Submit a schedule of the excise taxes, licenses and other taxes paid.

### **Line 29 - Meal and entertainment expenses**

You may deduct 50% of the expenses actually paid or incurred, up to 25% of the gross income of the taxable year, for meal and entertainment expenses directly related with the industry or for the production of income. You cannot include as part of such expenses the items that do not constitute ordinary and necessary expenses of your trade or business.

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

### **Line 32 - Contributions to pensions and other qualified plans**

Enter the contributed amount to pension, profit sharing or other qualified plans approved by the Secretary of the Treasury. This deduction is subject to certain limitations.

To claim this deduction for the contributions to any of those plans, you must keep in your records certain information that is required by regulations.

### **Line 33 - Current depreciation and amortization**

**Submit a detail of the current depreciation and amortization on Part (a) and Part (d) of Schedule E Corporation - Depreciation.**

The maximum basis to depreciate an automobile acquired and used in a trade or business is \$25,000. This rule applies also to financial leases.

In case of an ordinary lease, the amount of the rent paid during the taxable year, excluding financial charges, shall be considered current depreciation. This depreciation will be considered only for the part used in the industry or business, or for the production of income.

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

The \$25,000 basis limitation and useful life term do not apply to those automobiles acquired by corporations or partnerships engaged in the leasing, or transportation of passengers or freight businesses.

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

### **Line 34 - Flexible depreciation**

Enter the amount determined on Part (b) of Schedule E Corporation - Depreciation. A copy of the authorization for the flexible depreciation option issued by the Secretary of the Treasury must be submitted with the return.

**Line 35 - Accelerated depreciation**

In order to be entitled to this deduction, an election to use an Accelerated Depreciation Method is required with the return.

Said election may be exercised only with respect to property acquired 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, and property used totally or partially in activities under the Industrial Incentives Act, Tax Incentives Act and Tourism Incentives Act, Tourism Development Act or Agricultural Tax Incentives Act, or to intangible property.

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

**Line 36 - Bad debts**

For taxable years beginning after June 30, 1995, the corporations and partnerships will not be able to use the reserve method to compute the deduction for bad debts. Instead, they may claim a deduction only for the debts that become uncollectable within the taxable year (direct write-off method).

If the corporation or partnership used the reserve method before the Code's effective date (taxable years beginning after June 30, 1995), 25% of the bad debts reserve balance determined at the close of the last taxable year beginning prior to July 1, 1995 must be included in the gross income. An amount equal to 25% of said reserve determined as in the first year, must be recognized in each one of the 3 following years.

**Line 37 - Organization and syndication**

This organization and syndication expenses will be treated as deferred expenses and admitted as a deduction, pro rata, on a period not shorter than 60 months, commencing in the month the corporation started operations.

**Line 38 - Deduction for employers who employ handicapped persons**

Enter \$400 for each severely handicapped person employed for at least 20 hours per week during nine months of the taxable year. The deduction is allowed for a maximum of 5 persons severely handicapped.

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 that claims this deduction must submit with the return the following:**

- 1) a certification indicating that the handicapped person has been employed at least during 9 months of the taxable year, and
- 2) a certification issued by the Secretary 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.

**Line 39 - Other deductions**

The total amount of any expenses for which Part VI of the return does not provide specific lines to include them, must be entered as Other Deductions. **Submit a schedule of those deductions with the return.**

No deductions will be allowed for expenses connected with the ownership, use and maintenance of vessels, except for the expenses of vessels engaged in commercial fishing, transportation or commercial tourism.

**PART VII - OTHER DIRECT COSTS**

Enter the Other Direct Costs. The total of these costs should be entered on line 14 of this part and shall be equal to the amount on Part V, line 5 of the return.

**PART VIII AND IX - COMPARATIVE BALANCE SHEET AND RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN**

These statements must be completed in all of its parts in order that the return be considered filed. Therefore, you cannot submit these statements in loose sheets. **Any return that do not comply with these requirements will be returned.**

If the business volume of the corporation exceeds \$1,000,000, financial statements certified by a certified public accountant (CPA) licensed in Puerto Rico must be submitted.

## PART X - ANALYSIS OF CAPITAL ACCOUNTS PER BOOKS

Enter the net income or loss, the increases and decreases, and the distributions of credit notices for productivity and patronage.

### Line 2 - Net income (or loss)

Enter the members share on the net income or loss from the special corporation.

### Line 3 - Increases:

- (a) Enter the increases in each account according to contributions, loans to the special corporation or additional contributions from members.
- (b) Include in other increases the income from the sale of bonuses (not to members), capital contributions (not from members) and the net gain not assigned to the Internal Capital Account or Social Fund.

### Line 4 - Decreases:

Enter on lines 4(a) to 4(e) those amounts used by the Collective Reserve Account, Social Fund and Internal Capital according to the use established for each account.

### Line 5 - Distribution of credit notices for productivity and patronage

Instead of dividends distribution, the special corporation use the Credit Notices for Productivity in the case of ordinary members; and Credit Notices for Patronage in the case of special members.

## PART XI - QUESTIONNAIRE

Enter all the information required in the questionnaire in order to process this return.

## SIGNATURE AND OATH OF THE RETURN

The return must be signed and sworn before a notary by the president, vice president or other principal officer, and by the treasurer or assistant treasurer of the corporation.

## SIGNATURE OF THE RETURN BY THE SPECIALISTS

**If you pay for the preparation of the return, make sure that the return is signed by the Specialist and the registration number is included in a legible form.** The Code imposes civil and criminal sanctions to those Specialists who fail to submit this information.

The Tax Return 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 employer's identification number and be signed by the employee who prepared such return.

## SCHEDULE L (SP, IC, ESC) - PARTIALLY EXEMPT INCOME

This schedule must be used by those special corporations operating under Act 52 of 1983, Act 78 of 1993, Act 47 of 1987 and Act 225 of 1995. Check the box corresponding to the act under which the entity operates.

For each applicable act, a Schedule L (SP, IC, ESC) must be completed and included with the return.

In the case of a corporation or partnership operating under Act 52 of 1983 or Act 78 of 1993, and that has made an election under Section or Article 5(b) or 3(a)(1)(D) respectively, must submit with the return a copy of the notification to the Secretary of the Treasury exercising the election.

Any exempt business under Act 78 of 1993, must include with the return a copy of the order issued by the Tourism Company Director indicating the beginning date of the exemption.

Businesses operating under Act 225 of 1995, must include with the return a copy of the bona fide farmer certificate in force.

## PART I - NET INCOME (OR LOSS)

**Line 2** - Enter in the space provided the percentage

of the exemption you are entitled to claim according to your Resolution under the Tourism Incentives Act or Tourism Development or Agriculture Incentives Act.

Multiply the net operating income from the touristic or agricultural eligible activities, whichever applies, by the applicable exemption percentage. Enter the amount on this line.

**Line 3 -** The net operating losses under the Tourism Incentives or Tourism Development Acts may be deductible only against income from touristic activities. The net losses from operations that are not covered under any of the previously mentioned incentives acts, can be claimed only against the totally taxable income. **A schedule must be included with the return to sustain the deduction claimed.**

The excess of losses from touristic activities from previous years may be carried forward and claimed only as a deduction against income from touristic activities. Said loss may be deductible up to an amount equal to the percentage of income from the touristic activity that would have been taxable. The losses will be carried forward in the same order that they are incurred.

A net income or loss generated by an Employees Owned Special Corporation in a year in which a flexible exemption election was exercised under Article 3(a)(1)(D) of Act 78 of 1993, will be considered as a net income or loss from the corporation's eligible activity.

In the case of a special corporation that has renegotiated its rights under Act 78 of 1993, the members may claim as a deduction, the net losses incurred from operations under previous decrees (Industrial or Tourism Incentives Acts).

Add line 3, Part I of each Schedule L (SP, IC, ESC) used and enter the total on Part II, line 6 of the return.