

Reviewer:	Liquidator:	COMMONWEALTH OF PUERTO RICO DEPARTMENT OF THE TREASURY <b>CORPORATION OF INDIVIDUALS</b> <b>INFORMATIVE INCOME TAX RETURN</b> TAXABLE YEAR BEGINNING ON _____, ____ AND ENDING ON _____, ____	Serial Number  AMENDED RETURN <input type="checkbox"/>  Payment Stamp
Field audited by:		YEAR _____ YEAR _____	
Date ____/____/____			
R	M	N	
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, City		Date Incorporated or created	
Type of Principal Industry or Business		Month ____/Day ____/Year ____	
Date of election to operate as Corporation of Individuals		Place Incorporated or created	
		TotalForms 480.6 IC	

<b>Part I</b>	Indicate if the entity had partially exempt income under the following acts:	Act No. 52 of 1983 <input type="checkbox"/>	Act No. 78 of 1993 <input type="checkbox"/>	Act No. 225 of 1995 <input type="checkbox"/>	Act No. 47 of 1987 <input type="checkbox"/>
	The entity elected for this year the exemption provided by:	Act No. 52 of 1983 <input type="checkbox"/>	Act No. 78 of 1993 <input type="checkbox"/>	Act No. 225 of 1995 <input type="checkbox"/>	Act No. 47 of 1987 <input type="checkbox"/>

	Distributable share per category	Amount	Tax Withheld
<b>Part II</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 income (or loss) of the corporation from the eligible activity (Part VI, line 43)..... (5)	00	00
	6. Net income (or loss) from partially exempt income (Schedule L, Part I, line 3) ..... (6)	00	00
	7. Eligible distribution of dividends from corporations or profits from partnerships .... (7)	00	00
	8. Interest income from deposits in financial institutions ..... (8)	00	00
	9. Distributable share on income, gain or loss from a special partnership owned by the corporation of individuals ..... (9)	00	00
	10. <b>Total net income (or loss) on distributable share per category</b> (Add lines 1 through 9)..... (10)	00	00

	Credits	Amount	Tax Withheld
<b>Part III</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, other funds or direct investments (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)		00

	Tax computation on built-in gain	Amount	Tax Withheld
<b>Part IV</b>	1. Tax liability (Schedule U, Part IV, line 14) ..... (1)		00
	2. Less amount paid:		
	a) Automatic extension or original return ..... (2a)	00	
	b) Tax withheld at source ..... (2b)	00	
	c) Estimated tax ..... (2c)	00	
	d) With the return ..... (2d)	00	
	e) Total (Add lines 2(a) through 2(d)) ..... (2e)		00
	3. Balance of tax due (Subtract line 2(e) from line 1. If line 2(e) is larger than line 1, enter the difference on line 4) ..... (3)		00
	4. Amount overpaid (Subtract line 2(e) from line 1) ..... (4)		00

Part V	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 VII) ..... (5)		00		
	6. Total (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 the business ..... (9)			00		
10. Rent ..... (10)			00		
11. Interest ..... (11)			00		
12. Commissions ..... (12)			00		
13. Gain (or loss) on distributable share from special partnerships (Submit Schedule R Corporation) ..... (13)			00		
14. Miscellaneous income ..... (14)			00		
15. <b>Total Adjusted Gross Income</b> (Add lines 8 through 14) ..... (15)			00		
Part VI	16. Compensation to stockholders or officers (Part VIII) ..... (16)		00		
	17. Salaries, commissions and bonuses to employees ..... (17)		00		
	18. Commissions to businesses ..... (18)		00		
	19. Social security tax (FICA) ..... (19)		00		
	20. Unemployment tax ..... (20)		00		
	21. State Insurance Fund premiums ..... (21)		00		
	22. Medical or hospitalization insurance ..... (22)		00		
	23. Insurance ..... (23)		00		
	24. Interest ..... (24)		00		
	25. Rent ..... (25)		00		
	26. Property tax: (a) personal _____ (b) real _____ ..... (26)		00		
	27. Other taxes, patents and licenses (Submit detail) ..... (27)		00		
	28. Losses from fire, storm, other casualties or theft ..... (28)		00		
	29. Motor vehicle expenses ..... (29)		00		
	30. Meal and entertainment expenses (Total _____) ..... (30)		00		
	31. Travel expenses ..... (31)		00		
	32. Professional services ..... (32)		00		
	33. Contributions to pensions and other qualified plans ..... (33)		00		
	34. Current depreciation and amortization (Submit Schedule E Corporation) ..... (34)		00		
	35. Flexible depreciation (Submit Schedule E Corporation) ..... (35)		00		
	36. Accelerated depreciation (Submit Schedule E Corporation) ..... (36)		00		
	37. Bad debts (See instructions) ..... (37)		00		
	38. Charitable contributions ..... (38)		00		
39. Organization and syndication ..... (39)		00			
40. Deduction for employers who employ handicapped persons ..... (40)		00			
41. Other deductions (Submit detail) ..... (41)		00			
42. <b>Total deductions</b> (Add lines 16 through 41) ..... (42)			00		
43. <b>Net operating income (or loss)</b> (Subtract line 42 from line 15. Enter on Part II, line 5) ..... (43)			00		
Part VII	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. Same as Part V, line 5) .... (14)	00

**Compensation to stockholders or officers**

Part VIII	Name of Stockholder	Social Security Number	Percentage of time devoted to business	Percentage of stocks or shares owned		Compensation
				Common	Preferred	
						00
						00
						00
						00
						00
Total compensation to stockholders or officers (Enter on Part VI, line 16)						00

**Comparative Balance Sheet**

Part IX	Assets	Beginning of the Year		Ending of the Year	
		Total		Total	
	1. Cash on hands and in bank ..... (1)		00 (1)		00
	2. Accounts receivable ..... (2)	00		00 (2)	
	3. Less: Reserve for bad debts ..... (3)	( 00)	00 (3)	( 00)	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		00 (7)	
	8. Less: Reserve for depreciation ..... (8)	( 00)	00 (8)	( 00)	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 Stockholder's Equity</b>				
	<b>Liabilities</b>				
	12. Accounts payable ..... (12)	00		00 (12)	
	13. Notes payable ..... (13)	00		00 (13)	
	14. Accrued expenses (not paid) ..... (14)	00		00 (14)	
	15. Other liabilities ..... (15)	00		00 (15)	
	16. <b>Total Liabilities</b> ..... (16)		00 (16)		00
	<b>Stockholder's Equity</b>				
	17. Capital stock				
	(a) Preferred stock ..... (17a)	00		00 (17a)	
	(b) Common stock ..... (17b)	00		00 (17b)	
	18. Additional Paid in Capital ..... (18)	00		00 (18)	
	19. Retained Earnings ..... (19)	00		00 (19)	
	20. Reserve ..... (20)	00		00 (20)	
	21. <b>Total Stockholder's Equity</b> ..... (21)		00 (21)		00
	22. <b>Total Liabilities and Stockholder's Equity</b> ..... (22)		00 (22)		00

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

Part X	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 _____	
	(a) _____		(b) _____	
	(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) _____	
(b) Depreciation _____		(c) _____		
(c) _____		Total ..... (6)	00	
Total ..... (3)	00	7. <b>Total</b> (Add lines 5 and 6) ..... (7)	00	
4. <b>Total</b> (Add lines 1 through 3) ..... (4)	00	8. <b>Net taxable income (or loss) per return</b> (Subtract line 7 from line 4) .... (8)	00	

**Analysis of Undistributed Profits per Books**

Part XI	1. Balance at beginning of the year ..... (1)	00	5. Distributions:	(a) Cash ..... (5a)	00
	2. Net income per books ..... (2)	00		(b) Property ..... (5b)	00
	3. Other increases (Itemize, use schedule if necessary)			(c) Stocks ..... (5c)	00
	(a) _____ (3a)	00	6. Other decreases (Itemize) ..... (6)		00
	(b) _____ (3b)	00	7. <b>Total</b> (Add lines 5 and 6) ..... (7)		00
	4. <b>Total</b> (Add lines 1, 2 and 3) ..... (4)	00	8. <b>Balance at end of the year</b> (Subtract line 7 from line 4) ..... (8)		00

Computation of gross income percentage from business or industry

Table with 3 columns: (A) Income from business or industry, (B) Sources within Puerto Rico, (C) Sources outside Puerto Rico. Rows include gross income derived, gross income from sources within Puerto Rico, and division results.

Questionnaire

Questionnaire table with 4 columns: Question, YES, NO, Question, YES, NO. Questions cover record keeping, accounting methods, document filing, and employee/stockholder information.

OATH

We, the undersigned president (or vice president or other principal officer) and treasurer (or assistant treasurer), or agent of the corporation for which this Corporation of Individuals Informative Income Tax Return is made, 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 Informative 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. \_\_\_\_\_ Agent \_\_\_\_\_

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 to me or identified by means of \_\_\_\_\_, at \_\_\_\_\_, this \_\_\_\_\_ th day of \_\_\_\_\_.

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

Form with fields for Specialist's name, Registration number, Date, Check if self-employed, Specialist's social security number, Firm's name, Employer's identification number, Specialist's signature, Address, Zip Code.



**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	<input type="checkbox"/>	Act No. 78 of 1993	<input type="checkbox"/>
Act No. 47 of 1987	<input type="checkbox"/>	Act No. 225 of 1995	<input type="checkbox"/>

<b>Part I</b>	<b>Net Income (or Loss)</b>	
1. Net operating income (or loss) for the year (Part III, line 40) .....	(1)	00
2. Exempt amount <input type="text" value=""/> % .....	(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

<b>Part II</b>	<b>Gross Profit on Sales or Production and Other Income</b>	
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
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. Enter on Part II, line 5).....	(14)	00

Schedule U

Rev. 03.99



TAX DETERMINATION ON BUILT-IN GAINS

YEAR

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

Entity's Name

Employer's Identification Number

Type of Business:  Special Partnership  Corporation of Individuals

Part I Built-In Gain Recognized (Assets sold during the year)

Table with 8 columns: Description of Property, (A) Date acquired, (B) Date sold, (C) Sale price, (D) Allowable depreciation, (E) Cost or other basis & improvements costs, (F) Selling expenses, (G) Gain or loss. Includes summary rows 1-3.

Part II Built-In Loss Recognized (Assets sold during the year)

Table with 8 columns: Description of Property, (A) Date acquired, (B) Date sold, (C) Sale price, (D) Allowable depreciation, (E) Cost or other basis & improvements costs, (F) Selling expenses, (G) Gain or loss. Includes summary rows 1-3.

Part III Net Built-In Gain and Loss Not Realized

Table with 5 columns: Description of Property, (A) Date acquired, (B) Date of conversion, (C) Market value at conversion time, (D) Adjusted basis at conversion time, (E) Built-in gain or loss not realized. Includes summary rows 1-3.

Part IV Tax on Net Built-In Gain Recognized

Table with 2 columns: Description, Amount. Rows 1-14 detailing tax calculations on net built-in gain.

COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF THE TREASURY



Rev. 03.99

INSTRUCTIONS FOR THE  
CORPORATION OF INDIVIDUALS  
INFORMATIVE INCOME TAX RETURN  
FORM 480.20(I)

TABLE OF CONTENT

General Instructions .....	2
Instructions to Complete the Return:	
Part I - Type of exemption.....	3
Part II - Distributable share per category .....	3
Part III - Credits .....	4
Part IV - Tax computation on built - in gain.....	4
Part V - Gross profit on sales, manufacture and other income .....	5
Part VI - Deductions and net operating income .....	5
Part VII - Other direct costs .....	7
Part VIII - Compensation to stockholders or officers .....	7
Part IX - Comparative Balance Sheet .....	7
Part X - Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return .....	7
Part XI - Analysis of Undistributed Profits per Books .....	7
Part XII - Computation of gross income percentage from business or industry .....	7
Part XIII - Questionnaire .....	7
Signature and oath of the return .....	8
Signature of the return by the specialists .....	8
Instructions to complete the Schedules .....	8



## GENERAL INSTRUCTIONS

### WHO MUST FILE THIS RETURN?

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

For the purpose of this return, the terms corporation of individuals and stockholders will have the same meaning of corporations and stockholders under the benefits of a corporation of individuals.

### 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 to file the return if it is requested not later than the due date to file the return. This is done through Form AS 2644.

**An extension of time to file the return does not extend the time for the payment of the tax corresponding the distributable share of the stockholder in the Corporation of Individuals.**

### COLUMN OF CENTS

While completing the 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 at **721-2020** extension **3611** or toll free at **1-800-981-9236**.

#### Claims:

For claims on the Corporation of Individuals 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 of individuals 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 space provided in the corporation of individuals return.

Enter in the corresponding space 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, and the date and place created or incorporated.

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

### PART I - TYPE OF EXEMPTION

Indicate if the entity had partially exempt income under the following acts:

- Tourism Incentives Act of 1983, as amended (Act 52 of 1983)
- Puerto Rico's Tourism Development Act of 1993, as amended (Act 78 of 1993)
- Agricultural Tax Incentives Act of Puerto Rico, as amended (Act 225 of 1995)
- Public and Private Sector Coparticipation for New Housing Operation Act (Act 47 of 1987)

Also, indicate if the entity has an exemption decree under Act 52 of 1983, Act 78 of 1993, Act 225 of 1995 or Act 47 of 1987.

### PART II - DISTRIBUTABLE SHARE PER CATEGORY

Enter the amount derived from each activity and the corresponding tax withheld, if any.

#### 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 income (or loss) of the corporation from the eligible activity

Enter the industry or business net income or loss of the corporation. Do not include the gains or losses from lines 1, 2, 3, 4, 6, 7, 8 and 9 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 47 of 1987, 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 distributions of dividends from corporations or profits from partnerships

The stockholders may claim in their returns the dividends received by the corporation of individuals from eligible distributions according to the definition in Section 1012(c) of the Code according to their distributable share, along with the portion of 10% of tax withheld.

Otherwise, at the election of the stockholder, said income will be included in the corporation of individuals income to determine its net income or loss, as provided in Section 1393(c) of the Code.

#### Line 8 - Interest income from deposits in financial institutions

Enter the income earned from interest on investments

or deposits in cooperatives, savings associations authorized by the Federal Government or by the Puerto Rico Government, commercial and mutual banks or in banking organizations established in Puerto Rico for the stockholders, as well as the 17% of amount withheld, if the election was made.

**Line 9 - Distributable share on income, gain or loss from a special partnership owned by the corporation of individuals**

The corporation of individuals can be a partner in a special partnership.

Enter on this line the distributable share on income or loss from the special partnership attributable to the corporation of individuals.

**PART III - CREDITS**

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

Use Schedule C Corporation to determine the credit for allowable portion of taxes paid to the United States, its possessions and foreign countries.

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

To claim this credit you must complete Schedule Q, available in the Department of the Treasury.

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

See instructions of Schedule Q related with the allowable credit for losses in investment funds, available in the Department of the Treasury.

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

The stockholders of a corporation of individuals will have the right to claim according to the percentage applicable to the distributable share of the corporation of individuals, a credit as established in Section 4(a) of the Incentives Act, against the tax due for the year in which the corporation of individuals received as an investor a development income distribution.

Enter on this line the tax withheld at source to the corporation of individuals on dividends from Industrial Development income.

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

Every corporation of individuals will be allowed a credit for the total amount of contributions made to the Educational Foundation for Free Selection of Schools. This credit is limited to \$500 and will be claimed by the stockholders of the corporation of individuals against the income taxes paid in their individual income tax returns. The corporation will inform the stockholders the applicable deduction according to their distributable share in the corporation of individuals.

The contributions made in excess of the allowed credit will be granted as a deduction to the corporation of individuals 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 must be submitted as evidence of the contribution made.**

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

The stockholders of a corporation of individuals will have the right to claim their distributable share on tax credits acquired by the corporation of individuals from investors that generate credits under any of the acts that allow tax credits. The corporation of individuals, as the buyer of the credits and the stockholders, are subject to the limitations imposed to the investor from whom the credit was acquired with respect to the taxable years on which those credits were considered, and the maximum amount of the credits to be claimed on each taxable year.

**PART IV - TAX COMPUTATION ON BUILT - IN GAINS**

The tax on built - in gains applies to every corporation of individuals that previously was a regular corporation or partnership. The tax imposed when the sale or disposition of the assets acquired through the conversion, is realized in the period of 10 years from the first day of the first taxable year of the corporation of individuals. The increase of the value accumulated during the period after the conversion, that the corporation of individuals realize as gain when disposing the asset, is not subject to this tax.

The built - in gain is taxable under the maximum applicable tax rate (39% to corporations), except

those corporations under the Tourism Development Act of 1993 and Act 78 of 1993, which maximum tax rate is 42%. See Section 1397 of the Code.

To determine the built-in gain tax, use Schedule U.

## **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 the 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 35.

Enter on line 13 the gains or losses from the distributable share of the corporation in special partnerships.

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

The income and expenses to be included in Parts V, VI and VII of the return are related with the activities of the corporation of individuals not covered under acts that provide for partially exempt income. The detail of partially exempt income will be detailed in Schedule L (SP, IC, ESC).

Enter the deductions related to your operations on lines 16 through 41. Information is provided regarding some of those deductions.

### **Line 16 - Compensation to stockholders or officers**

Enter the total compensation paid or accrued to all stockholders of the corporation of individuals. Payments for services rendered or as interest from the use of capital, will be considered as paid to one that is not a stockholder of the corporation of individuals, as long as said interest are determined without considering the corporation of individuals income. On the other hand, the stockholder will recognize said payments as taxable income according to the accounting method used to recognize income. Detail the corresponding information on Part VIII.

### **Line 27 - Other taxes, patents and licenses**

Submit a schedule of the excise taxes or licenses paid by the corporation of individuals.

### **Line 30 - 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 33 - 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.

These plans are subject to a periodic investigation to determine if they are in compliance with the applicable dispositions of the Code. If the dispositions are not met, the Secretary can cancel the plan and reject the deduction.

### **Line 34 - 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 35 - 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 36 - 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 37 - 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 38 - Charitable contributions**

A corporation or partnership may deduct an amount which does not exceed 5% of the net income computed without the benefit of this deduction, for contributions made to:

- the Commonwealth of Puerto Rico, the United States or any state or territory, exclusively for public purposes;
- a corporation, trust or community fund, or foundation created or organized in Puerto Rico or in the United States, that operates exclusively for religious, charitable, scientific, veteran rehabilitation services, literary or educational purposes or for the prevention of cruelty against children, as long as no part of its earnings inures to the benefit of any private shareholder or individual;
- posts or organizations of war veterans or auxiliary units organized in Puerto Rico or in the United States.

Charitable contributions or donations in excess of 5% may be carried forward to the following 5 taxable years, in chronological order, but the deduction in each one of said following 5 taxable years shall not exceed 5% of the net income determined without the benefit of said deduction.

In case that a charitable contribution is made to the Educational Foundation for the Free Selection of Schools, you may claim on this line the excess of \$500 not claimed as a credit against tax, subject to the limitations established by the Code.

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

**Line 39 - Organization and syndication**

This organization and syndication expenses will be treated as differed 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 40 - 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 41 - 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 - COMPENSATION TO STOCKHOLDERS OR OFFICERS**

Include the compensation that the stockholders of the corporation received as salaries and other compensations. Do not include the distributions to the stockholders during the year.

Enter the total compensation to stockholders or officers on Part VI, line 16.

**PART IX AND X - 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 of individuals exceeds \$500,000, financial statements certified by a certified public accountant (CPA) licensed in Puerto Rico must be submitted.

**PART XI - ANALYSIS OF UNDISTRIBUTED PROFITS PER BOOKS**

Enter the profits not distributed to the partners at the closing of the taxable year of the corporation.

**PART XII - COMPUTATION OF GROSS INCOME PERCENTAGE FROM BUSINESS OR INDUSTRY**

Determine the percentage of the gross income earned by the corporation of individuals from industries or businesses in Puerto Rico.

**PART XIII - 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 assistant treasurer of the corporation in order to process the return.

**SIGNATURE OF THE RETURN BY THE SPECIALISTS**

**If you paid 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 corporation of individuals 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 election 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 Incentive Act or Tourism Development or Agriculture Incentive 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 Act 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.

Any net loss incurred in the year in which the corporation of individuals has exercised an election under Article 3(a)(1)(D) of Act 78 of 1993, can be claimed as a deduction or carried forward only against the tourism development income derived by the exempt business in which the election was made under said Section.

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

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.

**SCHEDULE U - TAX DETERMINATION ON BUILT - IN GAINS**

This schedule must be used when the requirements indicated in the instructions for Part IV of the return are met.