

INCOME TAX RETURN OF TAXABLE CORPORATIONS

MESSAGE FROM THE SECRETARY OF THE TREASURY

Dear taxpayer:

This is the income tax return corresponding to tax year 2014 which must be filed on or before its due date, Wednesday, April 15, 2015 or the corresponding date as established by the Puerto Rico Internal Revenue Code of 2011, as amended. We are also including an informative booklet that contains the relevant facts that will help you meet your tax responsibility. To facilitate the preparation of more complex returns, you can find a complete set of instructions for the income tax return and corresponding schedules on the Department of the Treasury's website at www.hacienda.pr.gov.

The year 2014 was a year of extraordinary challenges that required complex measures to strengthen the government's finances in light of the impact caused by the downgrade of Puerto Rico's public debt. For the year 2015, we will undertake an even more important and necessary task: the complete transformation of the Puerto Rico tax system to guarantee justice and equality for all and to promote our economic development.

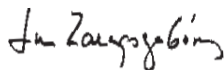
Although we have been working hard to increase revenues, it is imperative to make radical changes to overcome the fiscal crisis, caused, among other reasons, by multiple amendments to the tax system. It is time to have a stable and consistent tax system that is not subject to continuous changes to address momentary crises.

Our tax system is not working adequately. It is not a fair system and there is a high level of tax evasion. Unbelievably, in Puerto Rico, 85% of the taxpayers that file tax returns are salaried employees and only 15% are self-employed. Also, the fact that in Puerto Rico less than 13,000 taxpayers report in their returns annual income over \$150,000 and that most businesses report losses from operations is unsettling. The Department of the Treasury, with limited resources, has been forced to be principally committed to record and evaluate over a million tax returns, half of which claim a refund. Treasury has become an enormous tax return processing machine. We have a deficient, inefficient and obsolete tax system.

Puerto Rico needs to embrace global trends through the implementation of what is working well in other countries. Over 150 countries around the world such as Chile, Dominican Republic, New Zealand and Singapore, among others, have changed their tax systems in order to tax consumption rather than productivity. The type of radical change that we need is a new tax system that would eliminate the sales and use tax (SUT), repeal the additional tax on gross income, eliminate the tax return filing requirement for 82% of Puerto Ricans who are subject to tax and would create a Value Added Tax (VAT). It would be a fairer tax system, less complicated, applicable to most goods and services, geared to dramatically reduce tax evasion and where the tax burden would depend on the level of consumption of each taxpayer. Under such a system, the responsible taxpayer as well as the tax evader will pay the same amount of taxes on the purchase of a television set. However, the responsible taxpayer would notice a dramatic income tax reduction, merchants would be able to claim credits from VAT payments on purchases and lower income individuals would receive a payment as a relief for a portion of the VAT paid.

Now it is up to all Puerto Ricans – leaving aside political affiliations – to have the courage to support a complete transformation of our tax system to achieve the justice and tax fairness we desire.

Cordially,



Juan C. Zaragoza Gómez

FOR PUERTO RICO
FILE YOUR RETURN ON TIME



DEPARTMENT OF THE TREASURY
COMMONWEALTH OF PUERTO RICO

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TAXPAYER'S BILL OF RIGHTS

The Taxpayer Bill of Rights grants the following rights under the Puerto Rico Internal Revenue Code of 2011, as amended (Code):

To receive a proper, considerate and impartial treatment.

The information submitted will be confidential.

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

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

To receive a clear and simple explanation of the process to which the taxpayer will be subjected, and the rights that assist him.

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

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

To be informed of the nature of your tax liability.

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

To consult an attorney, accountant, certified public accountant, or agent authorized to represent you within the Department at any moment during the interview, or to be able to finish the interview even when it has commenced.

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

To claim the benefits of a payment plan if you can't pay the tax liability in full in the corresponding time.

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

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

No discrimination on the basis of race, color, sex, birth, origin or social condition, or political, religious ideas or association of any taxpayer or his representative. No records will be maintained of tax information for these purposes.

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

TAXPAYER'S ADVOCATE OFFICE

The Taxpayer's Advocate Office (Ombudsman of the Taxpayer) was created to assure compliance with the provisions of the Taxpayer Bill of Rights. Said office is located at the Department of the Treasury in Old San Juan, Office 105. For assistance, please call (787) 977-6622, (787) 977-6638, or (787) 721-2020, extension 2180.

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

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

RELEVANT FACTS

2014

NEW LEGISLATION

↪ Act 77-2014, known as “Act for Adjustment to the Tax System”, among other things, incorporate the following changes to the corporation tax system:

- increase from 15% to 20% the tax rate applicable to net long-term capital gain realized beginning on July 1, 2014.
- any corporation is allowed, during the period of July 1, 2014 to January 31, 2015, to prepay a 12% special tax rate over part or the entire increase in accumulated value in certain long-term capital assets.
- modifies the definition of short-term and long-term capital assets beginning on July 1, 2014. Establishes as short-term, property held not more than one year and long-term, property held more than one year. In addition, limited to 90% of the gains, the deduction for net capital losses not used in prior years.
- modifies the computation of the Additional Tax on Gross Income. This tax will not be part of the calculation of the Alternative Minimum Tax, will be calculated as an additional tax and will be admitted as deduction subject to certain limitations. In addition, modifies the tax rates to determine the same.
- modifies the definition of Puerto Rico assets and liabilities to determine the tax on dividend equivalent amount (Branch Profits Tax).
- limits the credit for Alternative Minimum Tax paid in prior years to 25% of the excess of the Regular Tax over the Alternative Minimum tax for the year.
- imposes a 10% tax on the total of deemed dividend by a foreign owner of any corporation.

↪ Act 135-2014 provides an exemption over the first \$500,000 of the gross income produced by a new business that has granted a Special Agreement by this Act for the creation of companies by young entrepreneurs.

↪ Act 228-2014 excludes from the gross income certain interests on mortgage loans on residential property located in Puerto Rico issued after January 1, 2014.

SIGNIFICANT CHANGES IN THE RETURN

↪ **Return**

Line 18 in Part III is provided to indicate the deemed dividend tax, **line 20 in Part III** is provided to indicate the additional tax on gross income in case of any corporation that is not a financial business; **line 21 in Part IV** to indicate the taxable exemption in case of new businesses that operate with a special agreement for the creation of companies by young entrepreneurs; and **line 50 and 51 in Part V** to indicate the expenses in properties leased to the Puerto Rico Industrial Development Company or Warehouse

of the Puerto Rico Trade and Export Company, and additional tax on gross income paid on or before of the return filing, respectively.

↪ **Schedule A Corporation**

This schedule is modified in order to adjust it to the requirement of Act 77-2014. The Additional Tax on Gross Income is excluded from the Alternative Minimum Tax computation.

↪ **Schedule D Corporation**

Part III is added to indicate the long-term capital gains and losses on assets held for more than 1 year in transactions realized beginning on July 1, 2014, that can elect the 20% special tax rate. In addition, the line corresponding to the net capital loss carryover of Part I is re-located to **Part V, line 25**.

↪ **Schedule IE Corporation**

Line 16 in Part II is added to include the exempt income produced by a new business that operates with a Special Agreement for the Creation of companies by young entrepreneurs.

↪ **Schedule T Corporation**

Part II, corresponding to the additional installment established by Section 1061.21, which was applicable to the 2013 taxable year, is eliminated.

PAYMENTS FOR THE PREPARATION OF THE RETURN AND SANCTIONS TO TAX RETURNS' SPECIALISTS

Indicate if you paid for the preparation of your tax return and make sure that the specialist signs the return and includes his/her registration number. THE CODE PROVIDES CIVIL AND CRIMINAL SANCTIONS TO THOSE INCOME TAX RETURN SPECIALISTS WHO FAIL TO SUBMIT THIS INFORMATION OR WHO DO NOT MEET ANY OTHER STATUTORY REQUIREMENTS.

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 registration number and be signed by the authorized person.

AREA CODE

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

RETURNED CHECKS

Every returned check drawn on behalf of the Secretary of the Treasury will be subject to a \$25.00 minimum charge. This charge is in addition to any other interest, surcharges or penalties provided by the Code or any other fiscal law for omissions in fulfilling your tax responsibility. The Department will make the collection in a traditional or electronic manner.

FINANCIAL STATEMENT'S REQUIREMENT

If the entity has a volume of income during a taxable year equal or greater than \$3 million, financial statements reporting the operations of the taxable year must be included with the return.

In cases in which the entity generates a volume of business equal to or greater than \$1 million but less than \$3 million, the entity may choose to submit financial statements which reflect the results of its operations for the taxable year. Every business that is up to date with its tax responsibility and under these conditions choose to include the financial statements, shall be entitled to a total or partial withholding waiver of the 7% on payments for services rendered.

The financial statement must include a balance sheet, an income statement and a statement of cash flows. These statements should be submitted with an Audit Report issued by a certified public accountant (CPA) licensed in Puerto Rico.

Act 163-2013 established the requirement to include additional information in the financial statements attached with this return. In order to get additional information about the Guides for the Preparation of the Required Supplementary Information, please refer to the Administrative Determination No. 14-06 of March 6, 2014. The due date of the Supplementary Information must be not later than the last day of the month following the due date to file the income tax return, including the request for extension of time to file the income tax return. That is, a corporation with calendar year must file the return on April 15, therefore the due date of the Supplementary Information will be not later than May 31. In case that the corporation requests an extension of time to file the income tax return, the due date of the return will be July 15, therefore, in this case the due date of the Supplementary Information will be August 31.

Also, Section 1061.15(a) of the Code establishes the requirement to submit consolidated financial statements including the result of operations for each member of the Group of Related Entities doing business in Puerto Rico. About this, the Administrative Determination No. 14-07 of March 12, 2014, establishes that this requirement will be considered as met by means of the filing of Form AS 2652.1, which must include the information corresponding to each entity member of the Group of Related Entities, including those that do not have the requirement to file the financial statements.

Every entity member of a group of related entities and that according with the previously indicated rules has the requirement to file audited financial statements, will have the requirement to submit the supplementary information described in Section 1061.15(b) of the Code.

Therefore, for purposes of complying with the requirement to include audited financial statements with the income tax return of taxable years beginning after December 31, 2012, every entity that has generated volume of business of more than \$1 million during such year and that is a member of a group of related entities subject to the provisions of Section 1061.15(a)(4) of the Code, for the reason that the volume of business of such group of related entities is more than \$3 million, will be able to submit financial statements showing the financial position and the results of operations of such entity individually, without the need to submit consolidated or combined financial statements, as long as it includes,

in the notes to such financial statements, a list of all related entities that are engaged in trade or business in Puerto Rico. Such information must include the name of each entity member of the group of related entities engaged in trade or business in Puerto Rico. An entity member of a group of related entities subject to the provisions of Section 1061.15(a)(4) of the Code but has not derived volume of business in excess of \$1 million for a taxable year, will not be obligated to submit audited financial statements for such year.

A report that includes consolidated financial statements in which the operations in Puerto Rico are presented as supplementary information will not be accepted. Also, compiled or reviewed statements are not acceptable. They must be audited.

CONTRACTS WITH GOVERNMENTAL ENTITIES

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

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

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

Sometimes a certification cannot be issued in connection with the last taxable year since such return may have not been already processed. Because of this possibility, it is recommended to personally file the original return along with a copy, in order to receive back said copy sealed with the Department's receipt stamp. This service will be offered at the Department of the Treasury, Intendente Ramirez Building in Old San Juan, at the District Offices, at the Internal Revenue Collections Offices, and at the Orientation and Return Preparation Centers.

COUPON'S BOOKLET FOR THE PAYMENT OF ESTIMATED TAX (FORM 480.E-2)

The four installments of estimated tax corresponding to the 2015 calendar year or to the 2015-2016 taxable period, will be made with the last version revised available. Payments made with coupons revised on previous dates may have problems in their application.

TAXPAYER'S SERVICE FACILITIES

In the Taxpayer Service Centers, besides **informing about the status of your refund**, other services are offered such as: Tax Return Filing Certifications, Return Copies, assistance for Cases of Inheritance and Donations, Individuals, Corporations or Partnerships and Professional Services Withholding Waivers.

Following are the postal address and telephone number of the Calls and Correspondence Center and the location of each one of our Service Centers:

☞ **Call and Correspondence Center**
PO BOX 9024140
SAN JUAN PR 00902-4140
Telephone: **(787) 722-0216**

☞ **San Juan Service Center**
Intendente Ramírez Building
10 Paseo Covadonga
Office 101

☞ **Aguadilla Service Center**
Punta Borinquen Shopping Center
Bert St., East Parade St. Intersection
Malezas Abajo Ward, Ramey Base

☞ **Arecibo Service Center**
Governmental Center
372 José A. Cedeño Ave.
Building B, Office 106

☞ **Bayamón Service Center**
Road #2
2nd Floor, Gutiérrez Building

☞ **Caguas Service Center**
Goyco Street, Acosta Corner
1st Floor, Governmental Building, Office 110

☞ **Mayagüez Service Center**
Governmental Center
50 Nenadich Street, Office 102

☞ **Ponce Service Center**
Governmental Center
2440 Las Américas Ave., Office 409

TECHNICAL ASSISTANCE

For additional information on the technical contents of this booklet or to clarify any doubts, please call **(787) 722-0216, option number 8 in the directory**.

HACIENDA MAKING CONNECTION

Access the Department of the Treasury's website: **www.hacienda.pr.gov**. Here you can find information about the following services, among others:

- ☞ Electronic transfer of the Individual Income Tax Return using programs or applications certified by the Department
- ☞ 2014 W-2 and Informatives Returns Program
- ☞ Employer's Quarterly Return of Income Tax Withheld Filing and Preparation Program
- ☞ Payments Online
- ☞ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)
- ☞ Act 1-2011, Puerto Rico Internal Revenue Code of 2011, as amended (Spanish only)
- ☞ Forms, Returns and Informative Booklets, such as:
 - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Programs
 - Form AS 4809 - Information of Identification Number - Organizations (Employers)
 - Form AS 2778.1 - Power and Declaration of Representation for Digital Signature by Returns, Declarations and Refund Claims Specialists
 - *Modelo SC 2800 - Planilla de Contribución sobre Caudal Relicto* (Spanish only)
 - *Modelo SC 2800 A - Planilla Corta de Contribución sobre Caudal Relicto* (Spanish only)
 - *Modelo SC 2800 B - Planilla de Contribución sobre Caudal Relicto (Causantes fallecidos a partir del 1 de enero de 2011)* (Spanish only)
 - *Modelo SC 2788 - Planilla de Contribución sobre Donaciones* (Spanish only)
 - *Modelo SC 2788 A - Planilla de Contribución sobre Donaciones (Aplica a donaciones efectuadas a partir del 1 de abril de 2011)* (Spanish only)
 - Informative Booklet to Provide Orientation about your Income Tax Return (Spanish and English)
 - Informative Booklet to Provide Guidance on the Income Tax Responsibilities of Federal, Military and Other Employees
 - Informative Booklet regarding the Withholding of Income Tax at Source in Case of Professional Services (Spanish and English)

- *Folleto Informativo de Contribución sobre Ingresos de Sacerdotes o Ministros* (Spanish only)
- *Folleto Informativo para Aclarar sus Dudas sobre Aspectos Contributivos en la Venta de Ciertas Propiedades Inmuebles* (Spanish only)
- *Withholding of Income Tax at Source on Wages - Instructions to Employers* (Spanish and English)

↪ Circular Letters and Administrative Determinations, such as:

- Internal Revenue Circular Letter No. 02-09 of June 28, 2002 – Withholding on Payments for Services Rendered
- *Carta Circular de Rentas Internas Núm. 02-10 del 9 de julio de 2002 - Exclusión de la Retención del Siete por Ciento (7%) sobre los Pagos por Servicios Prestados a los Contratistas por Concepto de Construcción de Obras* (Spanish only)
- *Carta Circular de Rentas Internas Núm. 02-13 del 24 de julio de 2002 – Retención sobre Pagos Efectuados por Servicios Prestados a Ciertos Sectores o Categorías de Empresas o Negocios* (Spanish only)
- *Carta Circular de Rentas Internas Núm. 06-27 del 28 de diciembre de 2006 - Enmiendas a la Carta Circular de Rentas Internas Núm. 02-13 de 24 de julio de 2002 Relacionada a la Retención sobre Pagos Efectuados por Servicios Prestados a Ciertos Sectores o Categorías de Empresas o Negocios* (Spanish only)
- *Carta Circular de Rentas Internas Núm. 11-01 del 3 de enero de 2011 - Procedimiento para Reclamar Créditos Contra la Contribución sobre Ingresos, Notificar la Venta de Créditos o Solicitar Cupones de Pago para Cubrir Gastos de Energía Eléctrica, Agua y Alcantarillado* (Spanish only)
- *Determinación Administrativa Núm. 05-02 del 10 de junio de 2005 - Tratamiento Contributivo sobre Pagos Realizados Mediante Acuerdos Transaccionales* (Spanish only)
- *Determinación Administrativa Núm. 07-01 del 12 de enero de 2007 - Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Incapacidad Ocupacional y No Ocupacional; y Pagos por Terminación de Empleo* (Spanish only)
- *Determinación Administrativa Núm. 07-03 del 4 de abril de 2007 - Aportaciones y Transferencias de Cuentas de Aportación Educativa* (Spanish only)
- *Determinación Administrativa Núm. 08-04 del 22 de mayo de 2008 - Enmienda a la Determinación Administrativa Núm. 07-01 Relativa al Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Angustias Mentales Incidentales a Daños Físicos* (Spanish only)
- *Determinación Administrativa Núm. 11-10 del 30 de junio de 2011 - Disposiciones bajo el Código de Rentas Internas para un Nuevo Puerto Rico (Ley de Incentivos de Energía Verde de Puerto Rico)* (Spanish only)
- *Determinación Administrativa Núm. 12-04 del 14 de febrero de 2012 - Disposiciones Relacionadas a la Elección o Conversión a Sociedad bajo el Capítulo 7 del Subtítulo A del Código de Rentas Internas del 2011* (Spanish only)
- *Determinación Administrativa Núm. 12-09 del 29 de mayo de 2012 – Disposiciones Relacionadas a la Elección y Notificación de Tratamiento como Sociedad bajo el Capítulo 7 del Subtítulo A del Código de Rentas Internas de 2011* (Spanish only)
- Administrative Determination No. 12-12 of August 8, 2012 – Nonresident Foreign Corporations Subject to the Income Source Rule under Section 1035.05 of the Puerto Rico Internal Revenue Code of 2011
- Administrative Determination No. 12-13 of September 14, 2012 – All Employers that Claim a Deduction for Contributions to Employee Exempt Trusts under Section 1081.01(a) of the Puerto Rico Internal Revenue Code of 2011
- *Determinación Administrativa Núm. 14-06 del 6 de marzo de 2014 - Guías para la Preparación de los Anejos Requeridos Como Información Suplementaria* (Spanish only)
- *Determinación Administrativa Núm. 14-07 del 12 de marzo de 2014 - Requisito de Estados Financieros Auditados, Determinación de la Contribución Adicional sobre Ingreso Bruto y Cambios Importantes en el Formulario Modelo SC 2652* (Spanish only)

INSTRUCTIONS TO COMPLETE THE CORPORATION INCOME TAX RETURN

WHO MUST FILE THIS RETURN?

In general, every domestic or foreign corporation engaged in trade or business in Puerto Rico must file this return.

The following entities are not required to file this return: (1) entities covered by the Incentives Acts or Tourism Development Act; (2) entities with partially exempt income under the Puerto Rico Agricultural Tax Incentives Act, as amended, or under any other special acts; (3) entities with partially exempt income under the Tax Incentives Act to Hospital Facilities; (4) entities which have earned income from Film Projects or Infrastructure Projects; (5) non-profit organizations with a tax exemption grant issued by the Department of the Treasury which has not been rejected; (6) foreign or domestic life insurance companies; (7) corporations of individuals; (8) partnerships; (9) special partnerships; or (10) employees-owned special corporations and ordinary and extraordinary members. Nevertheless, these entities must file a return designed by the Department of the Treasury, in accordance to the laws under which they operate.

The term *corporation* includes limited liability companies, joint stock companies, private corporations, insurance companies, and any other corporation organized under Act 164-2009, as amended, known as the "General Corporations Act", that derive income or taxable profits.

WHEN AND WHERE IT MUST BE FILED?

The income tax return of domestic or foreign corporations engaged in trade or business in Puerto Rico, must be filed on or before the fifteenth day of the fourth month following the end of the taxable year. In case of a foreign corporation not having any office or place of business in Puerto Rico, the return must be filed on or before the fifteenth day of the sixth month following the end of the taxable year.

The return must be filed in the Department of the Treasury, Returns Processing Bureau, located at 10 Paseo Covadonga, Intendente Ramírez Building in Old San Juan, or mailed to:

- (a) **Returns with Refund:**
DEPARTMENT OF THE TREASURY
PO BOX 50072
SAN JUAN PR 00902-6272
- (b) **Returns with Payment and Others:**
DEPARTMENT OF THE TREASURY
PO BOX 9022501
SAN JUAN PR 00902-2501

It may also be delivered to the Internal Revenue Collections Office of your municipality, the District Offices of the Department, or the Orientation and Return Preparation Centers.

AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN

A 3 months automatic extension of time to file the return will be granted if it is requested not later than the due date to file the return. This will be done using Form AS 2644.

Every corporation must pay with the request for an automatic extension of time, the entire amount of tax determined.

An extension of time to file the return does not extend the time for the payment of tax or any installment of the same.

SCHEDULE TO COMPLETE THE CORPORATION INCOME TAX RETURNS

The following schedules must be attached, when necessary, to file the income tax return of a corporation.

Schedule A Corp. - Alternative Minimum Tax

Schedule B Corp. - Recapture of Credit Claimed in Excess, Tax Credits, and Other Payments and Withholdings

Schedule B1 Corp. - Credits for Purchase of Products Manufactured in Puerto Rico and Puerto Rican Agricultural Products

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

Schedule D Corp. - Gains and Losses from Sale or Exchange of Property and Tax Computation at Preferential Rates

Schedule E - Depreciation

Schedule IE Corp. - Excluded and Exempt Income

Schedule Q - Investment Funds - Credit for Investment, Losses and Amount to Carryover

Schedule Q1 - Investment Funds - Determination of Adjusted Basis, Capital Gain, Ordinary Income and Special Tax

Schedule R Corp. - Partnerships and Special Partnerships

Schedule R1 Corp. - Partnerships and Special Partnerships (Complementary)

Schedule S Corp. - Farming Income (Bona Fide Farmer)

Schedule T Corp. - Addition to the Tax for Failure to Pay Estimated Tax in Case of Corporations

Form AS 2652.1 - Apportionment of the Deduction for the Additional Tax Calculation and Determination of the Applicable Rate for Purposes of the Additional Tax on Gross Income - Group of Related Corporations

Form AS 2877 - Deemed Dividend Tax

Form AS 2879 - Foreign Corporations and Partnerships Tax on Dividend Equivalent Amount and Effectively Connected Interest (Branch Profits Tax)

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

The schedules and their instructions are available in our webpage: www.hacienda.pr.gov.

HEADING OF THE RETURN

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

NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

Enter the name and the registry number of the corporation in the space indicated on the return, as it appears in the Department of State records.

Also, enter the employer identification number in the space indicated. **The employer identification number is required to process the return.**

If the corporation does not have an assigned employer identification number, you must request it from the Federal Internal Revenue Service and notify it to the Department of the Treasury using Form AS 4809.

Enter the Merchant's Registration Number assigned by the Department, the complete address where the business or principal office is located, and the telephone number.

Inform the type of industry or business (principal business activity). For example, if your principal activity is construction of furniture, enter **furniture manufacturing**; if it is retail sale of furniture, enter **furniture retail trade**. **Use the industrial code list provided on page 38, in order to facilitate the description of the commercial activity and enter the corresponding industrial code.**

Check the applicable box if it is the first or last return you are filing.

If the corporation informs a change of address at the moment of filing the return, check the applicable box, and write the new address clearly and legible. On the other hand, if the change of address is made at any other moment during the year, you must use Form SC 2898 (Change of Address). The same is available at the Forms and Publications Division, Office 603, of the Department of the Treasury in Old San Juan, or you may request it calling (787) 722-0216. Also you may obtain it accessing our webpage: www.hacienda.pr.gov.

Indicate in type of entity if it is a corporation, limited liability company, partnership (for those existing partnerships that could choose to continue to be taxed as a corporation) or other applicable type.

Also indicate whether the entity is a member of a group of related entities and the group number assigned by the Department of the Treasury. This number is assigned through the application available on our website, by completing Form AS 2652.1. If the entity is a member of a group of related entities you must enter the group number or the return will not be processed.

PART I - NET INCOME

Line 2 - Net operating loss deduction from preceding year

Enter the carryover balance of any net operating loss from the preceding year. Submit with the return a schedule with the determination of the loss to be deducted in the current taxable year and the origination and expiration dates of the loss carried from previous years.

The net losses can be used against the income of the next years as follows:

- Years beginning before January 1, 2005 – the net operating losses can be carried over to each one of the following seven (7) taxable years.
- Years beginning after December 31, 2004 and before January 1, 2013 – the carryover period will be twelve (12) years.
- In case of net operating losses incurred in taxable years beginning after December 31, 2012 – the carryover period will be ten (10) years.
- The amount to be carried over to each one of such following taxable years will be:
 - (1) the excess, if any, of the amount of such net operating loss over the sum of the net income, computed with the exceptions, additions and limitations set forth in Section 1033.14(d), for each one of the taxable years beginning before January 1, 2013, and
 - (2) the ninety (90) percent of the net income for the taxable years beginning after December 31, 2012.

PART II - REDUCTIONS

Line 4 - Dividends or profits received from domestic corporations

Enter 85% of the amount received as dividends or profits from a domestic corporation taxable under the Code, but limited to 85% of the net income of the corporation.

If the dividend received is from industrial development income derived from operations covered by the provisions of Act No. 57 of June 13, 1963, as amended, the credit will be 77.5% of the amount received, but limited to 77.5% of the net taxable income.

The credit of 77.5% does not apply to dividends or profits distributions derived from operations covered under Act 78-1993, as amended, or Act 8 of January 24, 1987, as amended. Nevertheless, if the corporation receives dividends or benefits from a domestic corporation, it may use the 85% credit mentioned in the first paragraph of this part.

However, the Code provides the following exceptions:

- 1) In the case of a small business investment company operating in Puerto Rico under the Small Business Act of 1958, there shall be allowed as a credit an amount equal to 100% of the total amount received as dividends or profits from a domestic corporation taxable under the Code.
- 2) Subject to certain requirements imposed by the Code, a credit of 100% is allowed against the net income from the total amount received as dividends by corporations organized under the laws of any state of the United States or the Commonwealth of Puerto Rico, that is the principal derived from industrial development income accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Commonwealth of Puerto Rico, its instrumentalities or political subdivisions, or invested in mortgages secured by the Puerto Rico Housing Bank and Finance Agency or in loans or other securities guaranteed by mortgages granted under any general character pension or retirement system established by the Legislative Assembly of Puerto Rico, the municipalities and the agencies, entities or public corporations of the Commonwealth of Puerto Rico.
- 3) There shall be granted a 100% credit against the net income from the total amount received as dividends by corporations organized under the laws of any state of the United States or the Commonwealth of Puerto Rico, that is the principal derived from industrial development income accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Governmental Development Bank for Puerto Rico or any of its subsidiary corporations, for the financing through the purchase of mortgages, or the construction, purchase or housing improvements in Puerto Rico made after December 31, 1984.
- 4) A 100% credit will be granted against the net income from the total amount received as dividends or profits from a domestic controlled corporation.

Line 6 - Surtax net income credit

Enter **\$25,000**, except in case the corporation belongs to a controlled group of corporations which are 50% or more owned, directly or indirectly, by the same person or persons. In those cases, the allowed credit will be only \$25,000 for the entire group of corporations.

If a corporation is a component member of a controlled group of corporations by December 31, the credit allowed to such corporation for the taxable year that includes such December 31, shall be an amount equal to \$25,000 distributed among the corporations that are component members of the group or the applicable amount according to the apportionment plan.

If a corporation has a taxable year of less than twelve months that does not include December 31, and is a component member of a controlled group of corporations with respect to such taxable year, the allowable credit for that taxable year will be \$25,000 distributed among the number of corporations that are component members of the group as of the last day of said taxable year.

In case of group of related corporations, the deduction for the computation of the surtax must be prorated among all corporations that are members of the related group of corporations. The group of corporations must file Form AS 2652.1, where the deduction distribution shall be reported. This form must be filed electronically.

This amount cannot exceed \$25,000 for the year.

PART III - COMPUTATION OF TAX

Line 8 – Normal tax

Indicate the corresponding tax rate and multiply this by the amount on line 5.

A 20% tax will be levied, collected and paid on the net income subject to normal tax of every corporation.

Nevertheless, a corporation that have granted a Special Agreement for the Creation of Employments and constitutes a New Business under the provisions of Act 1-2013, will be subject to a 10% normal tax during the first operating year. For the taxable year following the year which the Agreement is signed the tax rate will be 15 %.

Line 9 – Surtax

Multiply line 7 by the applicable tax rate according to the following table, and enter the result.

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

If the income subject to surtax is:	The tax will be:
Not over \$75,000	5%
In excess of \$75,000, but not over \$125,000	\$3,750 plus 15% of the excess over \$75,000

In excess of \$125,000, but not over \$175,000	\$11,250 plus 16% of the excess over \$125,000
In excess of \$175,000, but not over \$225,000	\$19,250 plus 17% of the excess over \$175,000
In excess of \$225,000, but not over \$275,000	\$27,750 plus 18% of the excess over \$225,000
In excess of \$275,000	\$36,750 plus 19% of the excess of \$275,000

Line 11 - Alternative Tax - Capital Gains and Preferential Rates

Enter the amount determined on Schedule D Corporation, Part VI, line 47.

If the net long-term capital gains exceed the net short-term capital losses, the corporation may elect to pay an alternative tax. The alternative tax is determined by taxing the net income excluding net long-term capital gains at the normal tax rates, plus a 15% on such gains, 20% if the gain was realized beginning on July 1, 2014.

On the other hand, any corporation may exercise the option of paying a special tax equal to 10% of the total eligible interest earned on debt of corporations engaged in trade or business in Puerto Rico from new mortgages on residential property located in Puerto Rico.

Compute the alternative tax on capital gains and determine the tax on eligible interest on Schedule D Corporation - Gains and Losses on Sales or Exchanges of Property and Computation of the Tax at Preferential Rates, only if the special rate option was exercised. Include the schedule with your return.

Line 16 - Alternative minimum tax

Enter the excess of tentative minimum tax over adjusted regular tax from Schedule A Corporation, Part VI, line 41.

Every corporation (except those not engaged in trade or business in Puerto Rico) will be subject, in addition to any other tax imposed by the Code, to a tax equal to the excess, if any, of:

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

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

Line 17 - Branch profits tax

In addition to any other tax imposed by the Code, those foreign corporations engaged in trade or business in Puerto Rico that operate as branches, **are subject to a 10% tax** of the amount equivalent to the dividend or profit distribution for the taxable year.

This provision shall not be applicable to any taxable year in which the foreign corporations engaged in a trade or business in Puerto Rico derived at least 80% of its gross income from sources within Puerto Rico or from income effectively connected or treated as effectively connected to operations from a trade or business in Puerto Rico, during the 3 taxable years period ended at the closing of said taxable year.

Corporations subject to said additional tax, must complete the Branch Profits Tax (Form AS 2879), and include it with their return. For more information, see the instructions for Form AS 2879.

Line 18 – Deemed dividend tax

For the taxable years commenced after December 31, 2013, will be imposed, collected and paid a 10% tax, without taking into consideration any deduction or credit granted by Subtitle A of the Code, on the total deemed dividend by a foreign owner of a corporation, during any taxable year.

The corporations subject to this tax must complete Form AS 2877 and submit it with the return. For more information, see the instructions for Form AS 2877.

Line 20 – Additional tax on gross income

For taxable years commenced after December 31, 2013, all corporation engaged in trade or business in Puerto Rico, except financial businesses, will be subject to an additional tax on gross income, as defined in the subsection (f) of Section 1023.10A of the Code, which will be determined applying the following rates:

If the gross income is:	The tax will be:
From \$3,000,000 but not over \$100,000,000	.35%
Over \$100,000,000 but not over \$300,000,000	.50%
Over \$300,000,000 but not over \$600,000,000	.70%
Over \$600,000,000 but not over \$1,500,000,000	.80%
In excess of \$1,500,000,000	1.0%

In case of taxpayers principally engaged as retailers of non-prepared food and provisions with gross income of less than \$400,000,000 during the taxable year the applicable rates will be:

If the gross income is:	The tax will be:
From \$3,000,000 but not over \$300,000,000	.20%
Over \$300,000,000 but not over \$400,000,000	.28%

The term “principally” means that during the period of three (3) taxable years immediately previous to the taxable year, an average of seventy (70) percent or more of his resale at retail are non-prepared food and provisions.

This additional tax does not apply to taxable years beginning after December 31, 2014.

In case that the Department of the Treasury has granted you a waiver to reduce the tax rate of the Additional Tax on Gross Income, the taxpayer must include copy of the letter granting the waiver with the return. Each letter granting waiver has a number code that is unique and therefore the Department will be able to identify with precision each entity to which a Waiver was approved.

If the taxpayer has filed an Application of Waiver to reduce the tax rate of the Additional Tax on Gross Income, it does not guarantee the automatic reduction of the tax rate.

A taxpayer who does not have a letter granting the waiver should not reduce the applicable tax rate. All taxpayers who do not comply with this provision might be penalized, subject to Sections 6030.12, 6030.16, 6030.21 and 6041.02 and any other applicable regulations of the Code.

In case of controlled group or group of related entities, for purposes of determining the additional tax on gross income rate applicable to each corporation member of such group, will considered the total sum of gross income of each person member of the controlled group or of the related entities. Once determined that the total gross income of the controlled group or related entities is subject to the additional tax on gross income, all members of the controlled group or related entities will be subject to pay the tax, even if individually they had not been subject to the same.

In case that the controlled group or group of related entities include one or more financial business, this will be excluded for the purposes of determining the rate of the additional tax on gross income applicable to the controlled group or group of related entities. The additional tax on gross income will be determined separately for each one of them.

Use the worksheet provided at the end of this page to determine the additional tax on gross income.

Line 21 – Additional tax on gross income in case of financial business

A 1% additional tax will be levied, collected and paid on the gross income of every financial business.

In case of a controlled group or a group of related entities that includes one or more financial businesses, for purposes of determining the rate of the additional tax on gross income applicable to each corporation that is a member of such group, it will be determined separately for each one of them.

Financial business means every trade or business consisting of services and transactions of commercial banks, saving and loans associations, mutual or savings banks, finance companies, investment companies, brokerage houses, collection agencies and any other activity of similar nature to those mentioned above, carried out by any industry or business. The term “financial business” shall not include investment activities by a person of their own funds, when the investment does not constitute the main business activity.

Line 24 - Balance of tax due

Subtract line 23 from line 22 and enter the difference on line 24(a) titled Tax. Otherwise, if line 23 is larger than line 22, there is an excess of tax paid or withheld that you must enter on line 26.

INTEREST, SURCHARGES AND PENALTIES

Interest

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

Surcharges

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

Penalties

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

Line20 - Computation of Additional Tax on Gross Income	
1. Total income of the corporation (Enter here the total of line 22 less line 16, Part IV, page 2 of the return. For additional information regarding the definition of the gross income for purposes of the additional tax on gross income, refer to Section 1023.10A(f) of the Code)	\$
2. Cost of goods sold or direct costs of production (Enter here the amount of line 8, Part IV, page 2 of the return).....	\$
3. Total of gross income subject to additional tax on gross income (Add lines 1 and 2)	\$
4. Multiply line 3 by the applicable tax rate (Submit evidence if you have a waiver) (Tax rate <input type="text"/> %) (Enter here and on line 20, Part III, page 1 of the return)	\$

Also, any person required under the Code to file a return, declaration, certification or report, who voluntarily fails to file such return, declaration, certification or report, within the term or terms required by the Code or regulations, in addition to other penalties, shall be guilty of a misdemeanor.

If any person voluntarily fails to file the above mentioned return, declaration, certification or report (within the terms required by the Code or regulations) with the intention to avoid or defeat any tax imposed by the Code, in addition to other penalties, shall be guilty of a third degree felony.

Line 25 - Addition to the Tax for Failure to Pay Estimated Tax

Enter the addition to the tax for failure to pay the minimum estimated tax required, previously determined on Schedule T Corporation. (See instructions to complete the Schedule).

Line 26 - Excess of tax paid or withheld

Enter on this line the difference between line 22 and line 23 only in those cases where line 23 is larger than line 22.

If line 25 is zero, transfer the amount entered on this line to line 28.

Line 27 - Amount paid with this return

Make the check or money order payable to the Secretary of the Treasury. **Indicate the employer identification number and Form 480.20.** If you decide to pay in cash, debit card and/or credit card (Visa or MasterCard), you can do it at any of our Internal Revenue Collections Offices. Make sure to obtain an official receipt from the Collector at the time of payment.

If you filed the return after the filing due date or you requested an extension of time but did not pay the total amount due, you must compute the applicable interest and surcharges, from the filing due date to the date on which the return was filed.

Line 28 - Amount overpaid

If the sum of the lines 22 and 25 is less than line 23, indicate the distribution of line 26 on line 28A (to be credited to estimated tax for 2015), 28B (contribution to the San Juan Bay Estuary Special Fund), 28C (contribution to the Special Fund for the University of Puerto Rico) or 28D (to be refunded).

PART IV - GROSS PROFIT ON SALES, MANUFACTURE AND OTHER INCOME

Enter manufacturing and sales costs, as well as the gross profit from sales. Check the applicable box to indicate your inventory appraisal method at the beginning and end of the year (Cost or, lower of cost or market).

Itemize in Part VI of the return the other direct costs shown on line 5. Note that the depreciation of assets used in manufacture will be included as other direct costs in Part IV, line 5 and Part VI, line 11. The depreciation of assets other than the ones used in manufacture must be entered in Part V, line 42.

Indicate on line 8 the total cost of goods sold or direct costs of production (Line 6 less line 7).

Enter on line 12 the rental income. If the rental income is derived from the lease of a New Construction Property or Qualified Residential Property, it is fully exempt under the provisions of Act 132-2010. This exemption applies from January 1, 2011 up to December 31, 2020, regardless of the date on which the contract has been subscribed. Do not include on this line the income received under this concept, include it on Schedule IE Corporation, Part II, line 15.

For more information refer to Act 132-2010 and its corresponding regulations.

Enter on line 13 the eligible interest that you elected to pay taxes at the regular tax rates, among others.

Enter on line 16 the distributable share on the profit from partnerships and special partnerships. To determine this income, complete Schedule R Corporation and Schedule R1 Corporation, if necessary. (See instructions for Schedules R and R1 Corporation).

Enter on line 17 the amount determined on **Schedule S Corporation - Farming Income**. In case that the agricultural activity is not the principal source of income, any loss incurred may only be carried against any income derived from the agricultural activity.

Enter on line 21 the first \$500,000 of gross income produced by a new business created by a young entrepreneur whose age ranges between 16 and 35 years. Such new business should have granted a Special Agreement for the Creation of Companies by young entrepreneurs (Agreement) with the Puerto Rico Trade and Export Company, in order to enjoy of the exemption during the first 3 years following the year which is signed the Agreement. **In order to claim this exemption, copy of the Agreement must be included with the income tax return.**

This benefit is limited to only one new business by each young entrepreneur and cannot enjoy of any other incentive economic or fiscal benefit provide by any act to promote a commercial, industrial o touristic operation in Puerto Rico. Any amount in excess of \$500,000 will pay taxes at the ordinary rates. For purposes of determining the first \$500,000 of gross income produced by the new business, add the gross income of the controlled group and the group of related entities according to Sections 1010.04 and 1010.05 of the Code, respectively.

PART V - DEDUCTIONS AND NET OPERATING INCOME (OR LOSS)

Use the Column (A) of the lines 23 through 52 to report the deductible portion (that is, 49% of total) of those expenses attributable to the conduct of an industry or business in Puerto Rico and that are not subject to income tax or to withholding at source under the Code in the taxable year in which they are incurred or paid, if such expenses:

- are expenses incurred or paid to stockholders that own 50% or more of a corporation's interest, or
- are expenses incurred or paid to any related person or entity affiliated to the corporation. For these purposes the rules applicable

to determine the members of a controlled group of corporations or a group of related entities, established in Sections 1010.04 and 1010.05 of the Code, will be applicable when determining the relation of the Corporation with its stockholders and affiliates.

The non deductible portion of these expenses (that is 51% of total expenses) must be included on line 5(e) of Part VIII of the return.

In Column (B) enter the total of each item of deductible expenses of the year, which will include the amount indicated in Column (A).

We provide information about some of those deductions, as follows.

Line 24 - Salaries, commissions and bonuses to employees

No deduction shall be allowed for salaries paid if at the time of filing the income tax return the full amount of tax withheld from salaries paid to employees corresponding to the taxable year for which the return is filed has not been remitted to the Treasury Department.

Line 31 - 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 34 - Other taxes, patents and licenses

Submit a schedule detailing the excise taxes, licenses or other taxes paid.

Line 35 - Losses from fire, storm, other casualties or theft

Enter losses sustained during the taxable year not compensated by an insurance company or other.

Line 36 - Automobile expenses

You may claim a deduction on this line, based on a standard mileage rate, for the expenses related to the use and maintenance of an automobile which are incurred to carry on an industry or business or for the production of income. Include on the mileage line the total miles used in the industry or business or for the production of income and multiply it by sixty cents (\$ 0.60).

The expenses of automobile use and maintenance includes repairs, insurance, gasoline, oil and filter changes, cleaning, tires, annual license fees and other expenses of a similar nature. This expense does not include depreciation, rental payments on ordinary leases or financial leases which are claimed on line 42 and detailed on Schedule E. Also, do not include expenses related to the use of tolls or parking, these must be included as other deductions on line 52.

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

- ↳ those used directly in the business of transporting passengers or property for which compensation or payment is made, such as limousines, taxis and public vehicles;

- ↳ funeral cars, flower carriages, buses, ambulances, motorcycles, trucks, vans and any other similar vehicle used primarily for transport of cargo, and
- ↳ cars rented or held for rental by persons regularly engaged in the business of car leasing.

If you incurred expenses for vehicles which are not considered automobiles according to the above definition, you should claim them on line 37 and submit the details.

For taxable years beginning after December 31, 2013 and before January 1, 2015, it will be allowed to claim on this line the actual expenses incurred for the use and maintenance of automobiles in those cases where the mileage information is not available. For additional details, see Administrative Determination No. 15-01 of January 9, 2015.

Line 37 - Other motor vehicles expenses

If you incurred expenses related to the use and maintenance of vehicles which are not considered automobiles, according to the definition of the previous line, these should be claimed on this line (Refer to the instructions of line 36 for more details).

Line 38 - Meal and entertainment expenses

You may deduct 50% of the expenses actually paid or incurred, up to a limit of 25% of the gross income for the taxable year, for meal and entertainment expenses directly related with your trade or business or with 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 deductions shall be allowed for meal and entertainment expenses considered extravagant or sumptuous.

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

Line 41 - Contributions to pension or other qualified plans

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

To claim this deduction, you must complete and include with the return Form AS 6042.1 - Deduction for Contributions to Qualified Retirement Plans and Tax on Certain Contributions. For additional details, see Regulation No. 8299 of December 18, 2012 and Administrative Determination No. 12-13 of September 14, 2012.

Line 42 - Depreciation and amortization

Flexible depreciation

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

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

Accelerated depreciation

In order to be entitled to this deduction, an election to use the accelerated depreciation method must be exercised with the return. Said election may be exercised only with respect to property acquired during taxable years beginning after June 30, 1995. Once the option is exercised, it is irrevocable.

This depreciation method does not apply to automobiles, property used outside Puerto Rico, property used by exempt entities, property used totally or partially in activities under the Industrial Incentives Acts, Tax Incentives Act and Tourism Incentives Act, Tourism Development Act, Agricultural Tax Incentives Act, or any other act of similar nature or to intangible property.

Also, Act No. 212-2002, as amended (Act No. 212), provides a type of accelerated depreciation, where the constructed structure, that constitutes housing, can be depreciated using the straight-line method over a 7 year period. However, this deduction is available to persons that invest in housing construction or improvement in an urban center and that has not benefited from the credit provided in Article 4.03E or 4.03F of Act No. 212. For additional details, refer to Act No. 212 and Internal Revenue Circular Letter No. 08-14 of October 31, 2008 and its regulatory provisions.

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

Current depreciation, amortization, automobiles and vehicles under financial leases

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

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

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

The \$30,000 basis limitation and useful life term do not apply to those automobiles acquired by corporations engaged in the leasing, transportation of passengers or cargo 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 a useful life of 15 years.

Every corporation which total income for the taxable year does not exceed \$3,000,000 may choose to depreciate the total cost, including installation, of the computer systems equipment in the year of its acquisition and installation. Equipment previously depreciated by a shareholder of such corporation or acquired from a related person, will not qualify for the acceleration of the

depreciation allowance. It may also be depreciated under the straight-line method, based on a useful life of 2 years, the land transportation equipment, except automobiles, and environmental conservation equipment.

Line 43 - Bad debts

Enter the accounts receivable that are considered uncollectible. For taxable years beginning after June 30, 1995, corporations 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 uncollectible within the taxable year (direct write-off method).

Neither will be deductible amounts owed to related persons who are foreign or nonresidents not engaged in trade or business in Puerto Rico. Act 163-2013 added a new paragraph (c) to Section 1040.04 – Period for Which the Deductions and Credits Must be claimed, to establish the following:

Amounts owed to related persons who are foreign or nonresidents not engaged in trade or business in Puerto Rico.

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

Line 44 - Charitable contributions

A corporation may deduct an amount which does not exceed 10% 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 to 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 in excess of 10% 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 10% of the net income determined without the benefit of said deduction.

The contributions made to a municipality that conducts an activity or event of cultural or historic value, as certified by the Institute of Puerto Rican Culture or the Cultural Center of each municipality, or that



makes possible the realization of any cultural or historic work, may be claimed as charitable contributions. The contributed amount shall be \$50,000 or more, and must be made in connection with the celebration of the centennial foundation of the municipality. The total of said contributions is not subject to the limitations provided by the Code.

Line 45 - Repairs

On this line, claim the expenses which constitute repairs and not improvements to the assets of the corporation. Excessive repair expenses will be subject to investigation.

Line 48 - 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 severely handicapped persons. In force regulations of the Vocational Rehabilitation Program of the Department of the Family will be used to determine the severely handicapped condition.

To claim this deduction, you must submit with the return:

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

Line 49 - Contributions to educational contribution accounts for the employees' beneficiaries

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

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

Line 50 – Expenses in properties leased to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company

Any Eligible Business, according to Act 1-2013 (known as "Jobs Now Act"), that lease any building to the Puerto Rico Industrial Development Company or Warehouse of the Puerto Rico Trade and Export Company, in addition to any other deduction provided by law, will be able to deduct an amount equal to the total of capitalized expenses incurred in the improvements, remodeling or repair of eligible property or the leased warehouse, as well as the acquisition of machinery and

equipment to be permanently or temporary installed in the eligible property or warehouse, as long as the improvement, remodeling, repairs, machinery and equipment are to be used in the eligible business operations subject to the lease. Also, the improvements, remodeling, repairs and the machinery and equipment should not have been used or depreciated previously.

The total of the eligible investment for this deduction in excess of the eligible business net income in the year of the expenses may be claimed as deduction in the subsequent taxable years, until totally used. A deduction will not be allowed for this concept with relation to the portion of expenses or investment on which the eligible business has received economic incentives from the Puerto Rico Industrial Development Company or from any other agency, governmental instrumentality or municipality of the Commonwealth of Puerto Rico. This deduction will not also apply if the investment has produced other special deductions or taxable credits.

Line 51 – Additional Tax on Gross Income paid on or before filing the return

Any corporation, except financial businesses, will be allowed to deduct the total paid for additional tax on gross income as long as such tax has been paid on or before of the deadline to file the income tax return for the taxable year, according to the estimated tax payment requirement established by the Code.

Line 52 - Other deductions

Every employer may claim annually, as an operating expense of the industry or business, an amount equal to a month of salary for each employee to whom you have granted the right to breastfeed their babies or extract their breast milk during one hour within each full time working day which can be divided in two periods of 30 minutes or three periods of 20 minutes. In the case of companies considered as small businesses by the Federal Small Business Administration, the period will be one half hour of each full time working day, which can be divided in two periods of 15 minutes.

Every person affiliated to an exempt business under the Tax Incentives Act of 1998 or under previous tax incentives acts, will be entitled to claim a special deduction equal to the total expenses incurred in Puerto Rico in activities related to investigation, experimentation, medical studies, health studies, clinical studies and basic sciences studies guided to the development of new products, new uses or indications for such products, to the improvements of the same, or to the study of diseases, in excess of the annual average of such expenses incurred during the 3 taxable years ended prior to January 1, 2004, or those parts of said period that may be applicable and which are deductible in the taxable year.

For these purposes "affiliated person" means any juridical person that:

- (a) is controlled directly or indirectly in 50% or more of the total value of their stocks or shares by a corporation, and
- (b) at the same time, said corporation owns directly or indirectly 50% or more of the total value of the stocks or shares of an exempt business.

For additional details refer to Act No. 135-1999, as amended, and the Internal Revenue Circular Letter No. 04-05 of November 10, 2004.

Every industry or business that meets the requirements established in Act No. 212-2002, as amended (Act No. 212), that creates new employments as part of an urban center revitalization process, will be entitled to a special additional deduction equivalent to 5% of the minimum salary applicable to each new employment created. Also, the transfer of your business with a minimum of 5 employees to an urban center will entitle you to an additional deduction equivalent to 15% of the payroll expenses related to the employees transferred during the year in which the business was transferred. This deduction will be limited to 50% of the net income according to the Code, adjusted by the special deductions provided by Act No. 212, without considering this deduction.

These deductions will be available for a term of 5 years from the taxable year in which the taxpayer applies for these benefits. You must keep for your records a certification issued by the Territorial Ordinance Office or from the City Planning Director indicating the name, social security number and minimum salary for each new employment created; or name and account number of the transferred business, its previous location, name and social security number of the transferred employees and the amount of payroll related to said employees. For both deductions you must also specify the taxable year in which you applied for these benefits and their due dates.

This act also grants other benefits like an exclusion for parking development, special exemption over income from loan interests and accelerated depreciation.

For additional details, refer to Act No. 212 and its regulatory provisions.

Those expense items for which Part V does not provide specific lines, will be totaled and entered as Other Deductions. **Submit with the return a schedule itemizing those deductions.**

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

PART VI - OTHER DIRECT COSTS

Those cost items for which Part VI does not provide specific lines, will be totaled and entered as Other Expenses on line 12 of this part. **Submit with the return a schedule itemizing those costs.**

The total of these costs should be entered on line 13 of this Part and shall be equal to the amount in Part IV, line 5 of the return.

PART VII, VIII AND IX - COMPARATIVE BALANCE SHEET, RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN AND ANALYSIS OF RETAINED EARNINGS PER BOOKS

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

The amount in Part VIII, line 10 (Reconciliation of net income (or loss) per books with net taxable income (or loss) per return) must be the same amount as the one of Part II, line 5 of this return.

PART X - COMPENSATION TO OFFICERS

Include in this part the salaries or other allowances paid or accrued for the officers of the corporation. Enter the amount claimed in Part V, line 23 of the return.

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 by the president, vice president or other principal officer and by the treasurer or assistant treasurer in case of corporations.

INCOMPLETE RETURN

The return must be completed in all of its parts. All the information of the Income Statement, Balance Sheet, Reconciliation of Net Income (or Loss) per Books with Net Taxable Income (or Loss) per Return, and Analysis of Retained Earnings per Books must be detailed. **Returns that do not comply with this requirement will be considered as not filed.**

SCHEDULE A CORPORATION - ALTERNATIVE MINIMUM TAX**WHAT IS THE ALTERNATIVE MINIMUM TAX?**

The Alternative Minimum Tax is an additional tax which is imposed when the net income, adjusted by certain preferential items, exceeds the exempt amount of \$50,000. The tax rate for this tax is 30% of said net income or the sum of the following items, whichever is larger:

- A) the 20% of:
- (i) that amount which represents expenses incurred or paid to a related person if such payments are attributable to the conduct of a trade or business in Puerto Rico and are not subject to income tax or withholding at source under the Code during the taxable year, and/or
 - (ii) that amount which represents cost transfer or expense assignment from a home office located outside of Puerto Rico to a branch if that item was not subject to income tax under the Code,
- B) the 2% of the purchase value of personal property from a related person and/or the transfer of personal property from a home office located outside of Puerto Rico to a branch engaged in trade or business in Puerto Rico, when the purchaser of personal property has gross receipts from the conduct of trade or businesses in Puerto Rico of ten million (10,000,000) dollars or more for any of the three preceding taxable years or that part of such period during which the purchaser was in existence. For additional information, please refer to Section 1022.03 of the 2011 Code. In the case of importers of the following products, instead of 2%, a reduced rate is established:
- alcoholic beverages 0.5%
 - fuels, crude oil, and products derived from oil 0.5%
 - vehicles 1.5%

WHICH ENTITIES ARE SUBJECT TO THE ALTERNATIVE MINIMUM TAX?

Every corporation engaged in trade or business in Puerto Rico, including insurance companies. It also applies to those corporations operating under the Puerto Rico Tax Incentives Act or under any other similar act, with respect to that portion of income derived from taxable operations.

The following entities are not subject to the alternative minimum tax: (1) foreign corporations not engaged in trade or business in Puerto Rico; (2) partnerships; (3) special partnerships; (4) registered investment companies taxable under the provisions of Subchapter L of the Code; (5) corporations operating under Act 8-1987 or under any other similar act, but only on its income derived from its exempt operations; (6) exempt real estate investment trusts; (7) corporations of individuals; (8) corporations under the provisions of Tourism Acts; (9) bona fide farmers; (10) employees-owned special corporations and ordinary and extraordinary members.

Prepare and file this schedule with the income tax return, **even though no amount may result subject to the imposition of the alternative minimum tax.**

PART I - ADJUSTMENTS IN THE COMPUTATION OF THE ALTERNATIVE MINIMUM NET INCOME BEFORE BOOKS ADJUSTMENTS AND OPERATING LOSSES

Line 1- Enter the net income prior to any net operating loss, considering the credit allowed by the Code in relation to dividends received from domestic corporations from industrial development income and excluding the net capital gain that you elect to pay taxes at the special tax rates of 15%, 20% or any other applicable under special legislation. Add lines 2 and 5, page 1 of Form 480.20 and subtract lines 30, 31, 32, 33 and 34 of Schedule D Corporation, as applicable. Another alternative for this computation is adding line 35 of Schedule D Corporation and line 2 of Form 480.20.

Line 2 - Enter on lines 2(a) through 2(e) the adjustments to determine the Alternative Minimum Net Income prior to book adjustments and operating losses. If the adjustments to determine the Alternative Minimum Net Income in Part I exceed the amount used to determine the regular tax, the difference (negative) is considered a deduction. On the contrary, if the amount used to determine the regular tax exceeds the adjustments, the difference (positive) will be reflected as an additional adjustment to the net income.

Line 2(a) - If you used the flexible depreciation method to compute your regular tax, determine the depreciation using the straight-line method and enter here the difference between both methods.

Line 2(b) - If you are a merchant in personal property and reported gains through a sales installment plan for the regular tax, you must recognize the gain (or loss) in its entirety for the year in which the personal property was sold. Enter on this line the difference between both methods.

Line 2(c) - If you used the completed contract accounting method to report the income (or loss) derived from construction of projects, and such activities exceeded one year, recompute your profit (or loss) under the percentage of completion method. Enter on this line the difference between both methods.

Line 2(d) - If the corporation is a financial institution, determine the amount of interest expense not allowable as a deduction attributable to interest income derived from exempt obligations, irrespective of the date of its acquisition.

This will be made based on the average balance ratio of assets of the institution. The adjustment does not apply to exempt obligations related to mortgage loans granted or guaranteed prior to September 1, 1987 by the Commonwealth of Puerto Rico, its agencies, municipalities and instrumentalities, which interest would have been deductible from the gross income to determine the tax imposed by Act No. 34 of June 4, 1975, as amended.

Line 2(e) - If you used the accelerated depreciation method to determine the regular tax, compute the depreciation using the straight-line method. Enter on this line the difference between both methods.

PART II - ADJUSTMENT FOR THE EXCESS OF THE NET INCOME PER BOOKS OVER THE ALTERNATIVE MINIMUM NET INCOME BEFORE ADJUSTMENTS

Line 4 - Enter your net income (or loss) as per your Income Statement. For this purpose, **Income Statement means** a financial statement that reflects the results of the operations of the corporation for the taxable year, accompanied by a Balance Sheet and a Statement of Cash Flows. The statements must be prepared in accordance with the generally accepted accounting principles, and if the company had a volume of business of more than \$3 million, such statements must be audited by a certified public accountant licensed in Puerto Rico.

Line 5 - Determine the amortization expense as reported in your financial statements for goodwill acquired prior to June 30, 1995 or after July 1, 1995 purchased from affiliates. Enter the difference between the goodwill amortization expense as determined from your net income per books and the goodwill claimed as a deduction on the return.

Line 6 - Enter the Puerto Rico income taxes and any other taxes on income or excessive profits imposed by the United States or any of its possessions or foreign countries, considered directly or indirectly in your Income Statement. Do not include the amount of any tax you may have elected to deduct and not claim as credit as provided in the Code.

Line 8 - Enter the total of interest from exempt obligations, but exclude the exempt interest expense or any other expenses incurred in the acquisition or withholding of such obligations.

Line 9 - Enter the total amount received as dividends or profits from domestic corporations or from industrial development income, or tourism development income, as defined under the Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993, as amended, up to the amount in which the dividends or profits have not been included in the net income for regular tax purposes.

Line 10 - Enter the net income amount per books from industrial development, or derived from exempt income of tourism development, as defined on the Puerto Rico Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993. Enter also the amount of the deduction for income derived by a bona fide agricultural business, or rental income from a new construction property or a qualified property pursuant to the provisions of Act 132-2010.

Line 11 - Enter any book income (or loss) from the operations of a subsidiary included in the Income Statement recognized under the equity method, for accountability of the investment in the subsidiary.

Line 12 - Enter the amount of the reserve for the payment of catastrophic losses required by Chapter XXV of Act No. 77 of June 19, 1957, as amended.

Line 13 - Enter the net long-term capital gain that you elected to pay taxes at the special tax rate of 15%, 20% or applicable rate under special legislation (lines 30, 31 and 32 of Schedule D Corporation, as applicable).

Line 16 - Subtract line 3 from line 15 (but not less than zero). This is the excess of the Adjusted Net Income per books over the Alternative Minimum Net Income.

PART III - COMPUTATION OF THE ALTERNATIVE MINIMUM NET INCOME

Line 19 - Enter your net operating loss deduction to be used in the determination of the alternative minimum tax. **The amount of this deduction cannot exceed 80% of the alternative minimum net income determined without considering this deduction. Any excess of net loss may be carried over as established in the Code.**

The net losses can be used against the next years income as follows:

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

Line 21 - The alternative minimum tax allows an exemption of \$50,000 if the alternative minimum net income is \$500,000 or less. That exempt amount is reduced by 25% (but not less than zero) of the excess of the alternative minimum net income over said amount. If your alternative minimum net income is \$700,000 or more, you are not entitled to claim any exemption. To determine the exempt amount follow the instructions below:

A. Maximum exempt amount	\$50,000
B. Total line 20	_____
C. Less:	\$500,000
D. Excess of line B over line C	(_____)
E. Multiply line D by 25%	_____
F. This is your exempt amount (Subtract line E from line A)	_____

PART IV - COMPUTATION OF THE TENTATIVE MINIMUM TAX AND THE ALTERNATIVE MINIMUM CREDIT FOR FOREIGN TAXES PAID

Line 23 – Multiply the amount of line 22 by thirty percent (30%) and enter the result on this line.

Line 24 – Enter on this line the Alternative Minimum Net Income before the net operating loss (amount informed on line 18).

Line 25 – If line 18 is less than \$500,000, the exempt amount is \$50,000. If line 18 exceeds \$500,000 but is less than \$700,000,



the exempt amount will be \$50,000 less 25% of the excess over \$500,000.

Line 30 - Compute your credit for foreign taxes paid according to the Code. Use the formula indicated and adjust the net income by the adjustment items specified in the Code. The formula is as follows:

Alternative Minimum Net Income from sources outside Puerto Rico will be divided by Total Alternative Minimum Net Income and multiplied by the Tentative Minimum Tax.

Any increase to the Alternative Minimum Net Income due to the adjustment for the excess of the net income as per the Income Statement, will have the same proportion and character of the Alternative Minimum Income determined without considering such increase.

The calculated credit is subject to an additional limitation. It may be reduced up to 90% of the Tentative Minimum Tax (line 23) without considering the deduction for the net operating loss used in the determination of the alternative minimum tax. Determine the credit limitation amount on lines 23 through 30. **Any credit amount not claimed in the taxable year can be carried over to the following 7 years.** No part of the credit may be carried back.

PART V - COMPUTATION OF EXPENSES PAID TO A RELATED PERSON AND PURCHASES OF PERSONAL PROPERTY FROM A RELATED PERSON

Line 32 - Enter on this line the total expenses paid to a related person and cost transfer or expense assignment from a home office located outside of Puerto Rico to a branch engaged in trade or business in Puerto Rico. The total expenses paid of this line should totalize the sum of line 53, Column A of Part V, page 2 of the return plus line 5(e) of Part VIII, page 3 of the return.

Line 34 - Enter on this line the total of purchase of personal property from a related person and transfer of personal property from a home office located outside of Puerto Rico to a branch engaged in trade or business in Puerto Rico.

Line 36 - Enter on this line the sum of lines 33 and 35. This sum is the total of expenses paid to a related person and purchases of personal property from a related person.

PART VI - COMPUTATION OF THE ALTERNATIVE MINIMUM TAX

Line 37 - Enter on this line the amount of line 31, Part IV of this Schedule.

Line 38 - Enter on this line the amount of line 36, Part V of this Schedule.

Line 39 - Enter on this line the larger between lines 37 and 38. This is your tentative minimum tax.

Line 40 - Enter on this line the adjusted regular tax. This amount is the sum of the normal tax and the additional tax and it comes from line 10, Part III, page 1 of the return.

Line 41 - Enter on this line the total of the alternative minimum tax. The total of the alternative minimum tax will be the difference of line 39 less line 40. In case that line 40 exceeds the amount of line 39, the taxpayer must enter zero on this line. If line 40 is less, in addition to enter the difference on this line you must enter this amount on line 16, Part III, page 1 of the return.

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

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

PART I - RECAPTURE OF CREDIT CLAIMED IN EXCESS

In Columns A, B and C you must enter the name and the employer identification number of the entity to which the investment credit or the donation of a conservation easement claimed in excess belongs, and check the box that identifies the act that regulates the investment or donation made.

Enter the credit claimed in excess in previous years as a result of the intervention of the Secretary or Director of the Agency or Department, or the Board who regulates each of the following acts: Puerto Rico Tourism Development Act (Act 78-1993, as amended), Solid Waste Authority Act (Act No. 70 of June 23, 1978, as amended), Tax Incentives Act for Investment in Solid Waste Reduction, Disposal and/or Treatments Facilities (Act 159-2011), Capital Investment Fund Act (Act No. 3 of October 6, 1987, as amended), Act for the Creation of the Theatrical District of Santurce (Act 178 -2000), Act for the Development of the Film Industry (Act 362-1999), Puerto Rico Film Industry Economic Incentives Act (Act 27-2011), Act for Tax Credits from Investment in Housing Infrastructure (Act 98-2001, as amended), Act for Tax Credits for Investment in the Construction or Rehabilitation of Rental Housing Projects for Low or Moderate Income Families (Act 140-2001), Act for Credit to Investors in an exempt business that is in the process of closing its operations in Puerto Rico (Act 109-2001) and Conservation Easement Act (Act 183-2001, as amended).

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

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

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

In case of condohotels, the integrated leasing program operator must file an annual report to the Director and to the Secretary identifying the participant units in the integrated leasing program. Said report must indicate the participation beginning date of the participant units, as well as the date or dates in which one or more units were withdrawn from the program.

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

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

In case of owners of a levied property or donors of a conservation easement, in case of an eligible land, they shall be subject to the recapture of the tax credits granted, in the event that the obligations included in the constitution deed of the conservation easement or donation of an eligible land are not fulfilled, as applicable, but only in those cases in which it is impossible to return the land to its original condition. These dispositions will also apply when the perpetuity requirement is not fulfilled by the owners and the titular of the easement.

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

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

Line 3 - Multiply line 1 by 50% and enter the result here, and transfer to Part III, line 13 of the return. If part of the excess was paid in the previous year, enter the balance owed.

On this line you must also include the recapture of investment credit claimed in excess related to any of the following laws: housing infrastructure act and rental housing act for low or moderate income families.

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

PART II - TAX CREDITS

Every taxpayer that owns a tax credit must refer to Act 40-2013 and the Internal Revenue Circular Letter No. 13-08 of July 22, 2013. Act 40-2013 established a moratorium to certain tax credits and the essential requirement to all credit holders to inform the Secretary of the Treasury the total of credits available as of June 30, 2013.

Line 2 - Enter the credit portion attributable to dividends received from industrial development income, corresponding to the 3% of the investment made by the subsidiary in the acquisition, construction and expansion of buildings and other structures used in manufacture, which exceeds the investment in such properties possessed by the subsidiary as of March 31, 1977.

If the corporation has not enjoyed a tax exemption under Act 57 of 1963, Act 26 of 1978 or Act 8 of 1987 for two taxable years, the credit will be granted to the parent corporation for the increase in investment made by the subsidiary after the end of the second year of the tax exemption.

In order to be entitled to such credit, the investment must be made prior to January 1, 1993.

This credit may be carried over to subsequent taxable years. However, investments made in real property to obtain the waiver established on paragraph 6(a) of Section 4 of Act 8 of 1987, cannot be used for purposes of this credit.

Line 3 - Enter the amount determined on Schedule Q.

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

1. Evidence of the Informative Returns for Tax Credits Holders duly filed in the Department (Form 480.71.1).
2. Schedules Q and Q1 duly completed.
3. A document indicating or showing the credit earned for the investment in the different capital investment funds or direct investments, such as Solid Waste Facilities, Tax Incentives, Agricultural Incentives, Theatrical District of Santurce, Feature Films, as well as the Tourism Development Fund.
4. Copy of the certification issued by the regulatory agencies.
5. Copy of the notification or sworn statement issued by the regulatory agency to inform the credit distribution.

Line 4 - Enter as credit the alternative minimum tax paid and not used in previous years. To be entitled to this credit, the regular tax for the year must exceed the alternative minimum tax for such year, and the alternative minimum tax for previous years must have been paid. The credit must be determined as follows:

1. **Regular Tax** (Part III, line 10 of the return or Schedule D Corporation, Part VI, line 41, whichever is smaller, less Part II, line 1 of Schedule B Corporation) _____
2. **Less: Tentative Minimum Tax** (Part VI, line 39 of Schedule A Corporation) _____
3. **Regular Tax in Excess of the Alternative Minimum Tax** (Subtract line 2 from line 1) _____
4. **Regular Tax Subject to the Credit** (25% of line 3) _____
5. **Alternative Minimum Tax Credit Paid in Previous Years** (Line 16, 17, 18 or 19, whichever applies, of the return from previous years, which has not been used) _____
6. **Credit to be Granted** (The smaller of line 4 or line 5) _____

If line 5 exceeds line 4, the balance will be carried forward to future years.

Submit with the return a schedule detailing the alternative minimum tax paid in previous years, origination date and amounts used, including the taxable year in which it was claimed as credit.

Line 5 - 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 for the percentages and limitations to claim on the return.

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

Complete Part IV of the Schedule B Corporation

Line 6 - Enter the amount of the credit to be claimed for the investment in a Film Entity engaged in a Film Project and/or Infrastructure Project under Act 27-2011.

The concession of this credit is subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 27-2011 and its regulations. You must include with the return copy of the determination, along with the information required in the determination letter.

For additional details, refer to Act 27-2011, as amended.

Line 7 - Enter the amount of the credit for infrastructure investment to developers of housing projects, recommended by the designated officials of the Housing Department and the Department of the Treasury. It will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 98-2001, as amended and the applicable regulations. You must include with the return copy of such

determination, along with the information required in the determination letter.

For additional details, refer to Act 98-2001 and its regulations.

Line 8 - Enter the amount of credit for investment in the construction or rehabilitation of rental housing projects for low or moderate income families.

Every owner of a rental housing project for low or moderate income families may qualify for a tax credit.

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

The tax credit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination. You must include with the return copy of such determination, along with the information required in the determination letter.

For additional details, refer to Act 140-2001 and its regulations.

Line 9 - Enter the amount of the credit for investment in an exempt business that is in the process of closing its operations in Puerto Rico. Every investor may claim an industrial investment credit equal to 50% of its eligible investment.

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

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

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

For additional details, refer to Act 109-2001 and the corresponding regulations.

Line 11 - Enter 100% of contributions made to Santa Catalina's Palace Patronage (Patronage). The tax credits to be granted cannot exceed \$2,500,000 for any taxable year.

To claim this tax credit you must accompany the certification issued by the Patronage as evidence that the contribution was made and accepted. Such part of the credit not used in the taxable year in which the contribution was made, may be carried over to subsequent taxable years, until totally used.

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

Line 12 - Enter the amount of credit for the establishment and donation of a conservation easement, equal to 50% of the value of the eligible conservation easement.

To claim this credit you must include the certification issued by Secretary of the Treasury.

For additional details, refer to Act No. 183-2001, as amended, and Internal Revenue Circular Letter No. 05-04 of March 23, 2005.

Line 13 – Enter the amount of credit for construction investment in urban centers. Every person that carries out a construction or improvement project in an urban center, as provided by law, may qualify to claim a credit against the tax.

The concession of the credit is subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination. You must include with the return copy of such determination, along with the information required in the determination letter.

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

For additional details, refer to Act 212-2002, as amended, and the corresponding regulations.

Line 14 – Enter the amount of Tax Credit for Merchants Affected by Urban Center Revitalization. Every commercial entity established in the area affected by the construction of the revitalization projects in urban centers, will be entitled to claim an 8% tax credit from 50% of the gross sales generated during the construction period.

The amount of this credit cannot exceed the tax responsibility reported on the previous year return. To claim this credit, you must include with the return a certification issued by the Puerto Rico Trade and Export Company in which the taxpayer is identified as a merchant affected by the construction work.

For additional details, refer to Act 212-2002, as amended, and the corresponding regulations.

Line 15 – Enter 50% or 10%, as applicable, of the taxes paid attributable to the net income earned from the sale or publication of books.

The concession of this benefit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 516-2004, as provided by the Internal Revenue Circular Letter No. 05-05 of March 23, 2005. You must include with the return copy of such determination, along with the information required in the determination letter.

This benefit will be available for a period of 10 years beginning on taxable year 2004.

For additional details, refer to Act 516-2004.

Line 16 – Enter 10% of taxes paid attributable to the income earned from the book printing in Puerto Rico.

The concession of this benefit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an

administrative determination under Act 516-2004, as provided by the Internal Revenue Circular Letter No. 05-05 of March 23, 2005. You must include with the return copy of such determination, along with the information required in the determination letter.

This benefit will be available for a period of 10 years beginning on taxable year 2004.

For additional details, refer to Act 516-2004.

Line 17 – Enter 15% of the total income tax attributable to the income earned from the sale of books printed in Puerto Rico or from Puerto Rican authors.

The concession of this benefit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 516-2004, as provided by the Internal Revenue Circular Letter No. 05-05 of March 23, 2005. You must include with the return copy of such determination, along with the information required in the determination letter.

This benefit will be available for a period of 10 years beginning on taxable year 2004.

Line 18 – Enter the amount of credit to be claimed for industrial investment under Section 6 of Act 73-2008. This amount must be equal to 50% of the eligible investment to be claimed in two or more installments: the first half in the year in which the eligible investment is completed and the balance in the subsequent years. The credit not used in a taxable year may be carried over to subsequent years, until claimed in its entirety.

For additional details, refer to Act 73-2008 and the corresponding regulations.

Line 19 – Enter the amount of credit to be claimed for investment in research and development activities of green energy sources under Act 83-2010, best known as the Puerto Rico Green Energy Incentives Act. This amount must equal 50% of the special eligible investment and will be claimed in two or more installments: the first half in the year in which the eligible investment is made and the balance in the subsequent years.

The credit not used in the taxable year may be carried over to subsequent years, until totally used. This credit does not generate a refund.

For additional details, refer to Act 83-2010.

Line 20 – Enter the amount of credit to be claimed for the additional tax on gross income paid. Any financial business engaged in trade or business in Puerto Rico may take a credit against the income tax or against the alternative minimum tax payable for the corresponding taxable year for an amount equal to one half of one percent (0.5%) of its gross income for the corresponding taxable year. Furthermore, any member of a financial business that pays taxes as partnership, may take a credit against the income tax or against the alternative minimum tax determined and payable for the corresponding taxable year, if any, for an amount equal to 50% of its distributable share on the additional tax on gross income, which sum of 50% will be a part of credit to be

reported separately to the partners in accordance with the provisions of Section 1071.02(a)(11) of the Code.

Any amount of credit available under this section for any taxable year that has not been used will not be refundable and will only be available to be used in subsequent taxable years.

Line 22 – Enter the total amount of other income tax credit not included on the preceding lines, for example, the credit for contributions to former governors foundations, provided as follows.

A credit equivalent to 100% of the amount contributed during the taxable year to former governors foundations is granted for operating expenses and those expenses related to the purposes for which they were created and/or those charitable contributions to a Depository of Files and Relics of Former Governors and Former First Ladies of Puerto Rico constituted according to the provisions of Act 290-2000 by itself or as a whole with public or private Higher Education entities, to pay the construction, operation and all necessary expenses for the true fulfillment of the purposes of Act 290-2000 and Act 302-2012. The tax credits to be granted cannot exceed \$1,000,000 in aggregate, for any tax year.

Remember that the contribution to the Former Governors Foundation generates a tax credit. Therefore, these contributions cannot be claimed as part of the deduction for charitable contributions.

To claim this tax credit you must submit the certification issued by the recipient entity as evidence that the contribution was made and accepted. Such part of the credit not used in the taxable year in which the contribution was made, may be carried over to subsequent taxable years, until totally used.

If this line includes credits from different concepts, submit a schedule showing a breakdown of such credits. Also submit documents or evidences to support them.

Do not include on this line Tax Credits for the Acquisition of New Construction Housing or Existing Housing. Such credits will be claimed in Part III, line 10 of this schedule as "Other Payments and Withholdings". For additional details, refer to the Internal Revenue Circular Letter No. 09-02 of March 16, 2009.

PART III - OTHER PAYMENTS AND WITHHOLDINGS

Enter on lines 1 through 9, the amount of tax paid or withheld regarding the type of income described on these lines.

Line 2 - Enter the estimated tax paid for the taxable year. **For more information on the estimated tax, refer to the INSTRUCTIONS (DUTY TO PAY ESTIMATED TAX).**

Line 3 - Enter the tax paid in excess in previous years that you had elected to claim against the payment of estimated tax. Do not include amounts already included on line 2.

Line 5 - Enter the amount withheld over payments for services rendered. In order to claim this credit, you must submit Form 480.6B. Otherwise, you must submit a sworn statement indicating

the name, address, employer identification number and telephone number of the person who made the deposit or payment, the total amount of the deposits and the tax withheld.

Line 6 - Enter the tax withheld reported in the Informative Return - Special Partnership (Form 480.60 SE). You must submit this form with your return.

Line 7 - Enter the tax withheld reported in the Informative Return - Partnership (Form 480.60 S). You must submit this form with your return.

Line 8 - Enter the tax withheld reported in the Informative Return - Revocable Trust or Grantor Trust (Form 480.60 F). You must submit this form with your return.

Line 10 - Enter any other payment or withholding not specified on the preceding lines. Submit a detail and evidence of the payment or withholding.

SCHEDULE B1 CORPORATION – CREDITS FOR PURCHASE OF PRODUCTS MANUFACTURED IN PUERTO RICO AND PUERTO RICAN AGRICULTURAL PRODUCTS

PART I – CREDIT FOR INCREASE IN PURCHASES OF PUERTO RICAN AGRICULTURAL PRODUCTS (SECTION 1051.07)

Section 1051.07 of the Code provides a credit to all eligible business that increases its purchases of Puerto Rican agricultural products to replace imported products available for sale on the local market.

The credit shall not be less than 5% and up to a maximum of 20% of the increase in purchases of agricultural products grown, produced and elaborated in Puerto Rico during the taxable year in which the credit is claimed, over the average of purchases of such products during the 3 preceding taxable years, or such part of that period that is applicable, or in some cases, the average of the 3 taxable years ending with the close of the taxable year that ended during calendar year 2003.

For purposes of the credit under Section 1051.07, an eligible business is the one that acquires Puerto Rican agricultural products through a contract between such business, the Secretary of Agriculture and an agricultural production group promoted by the Department of Agriculture or an Agricultural Sector organized under the Puerto Rico Agriculture and Livestock Industry Regulating Act or with a Qualified Farmer.

Enter in the spaces provided, the name of each Agricultural Production Group, Agricultural Sector or Qualified Farmer from which you made the purchases; the purchases increase; the percentage granted; and the amount of each credit according with the Tax Credit Certification issued by the Department of Agriculture.

Line 2 - Enter the amount of credit under Section 1051.07 of the Code, of the previous years that was not used and is carried over due to the 25% limitation. Submit a detailed schedule to reflect the composition of the carryover.

PART II - CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED IN PUERTO RICO (SECTION 1051.09)

Section 1051.09 of the Code provides a credit against income tax of those eligible businesses that purchase eligible products manufactured in Puerto Rico, including components and accessories.

The credit is equal to 10% of the increase in purchases of such products during the taxable year in which it is claimed, over the average of the purchases made for the 3 years, out of the 10 preceding taxable years, in which the purchases were lower, that is, excluding the 7 years of higher purchases.

Eligible businesses for purposes of the credit under Section 1051.09 are: (1) manufacturing businesses, and (2) any other company engaged in trade or business in Puerto Rico whose annual sales volume does not to exceed \$ 5,000,000. However, businesses that have a tax exemption decree are not considered eligible businesses.

Eligible products are only those manufactured in Puerto Rico by a manufacturing business that, individually or in the aggregate with its affiliates, has had a net sales volume (within or outside of Puerto Rico) of one hundred million (100,000,000) dollars or less for the calendar year 2010. A product will be considered as a product manufactured in Puerto Rico only if more than thirty (30) percent of its value has been added in Puerto Rico.

Enter in the spaces provided for each manufacturing business from which the products were acquired the name, employer identification number, manufacturing business identification number and the value (cost) of each purchase. In case of manufacturing businesses with a tax exemption decree, the manufacturing business identification number will be the decree number. If the business does not have a decree, enter the number assigned by the Industrial Development Company. Also indicate if the manufacturer provided you with a certification to the effect that the product(s) acquired are eligible products. Do not include purchases of products that have been manufactured in Puerto Rico by a business related to the business claiming the credit.

The eligible business must keep the necessary records evidencing the value of purchases for which the credit is claimed, as well as, any certificate issued by the manufacturer or other evidence of the nature of the eligible products purchased.

PART III - CREDIT FOR PURCHASE OF PRODUCTS MANUFACTURED IN PUERTO RICO (TUNA PROCESSING)

The credit provided in Section 1051.09 of the Code is also available for purchases of tuna packaged and processed in Puerto Rico. In this case, the credit is 10% of the total amount of the purchases of such products made during the taxable year in which it is claimed, regardless of the volume of business of the processing plant or its affiliates. Tuna products are treated as manufactured (packaged and processed) in Puerto Rico only if more than thirty (30) percent of its value has been added in Puerto Rico.

Enter in the spaces provided for each manufacturing business (packing and processing) from which the products were acquired the name, employer identification number, manufacturing business identification number and the value (cost) of each purchase. In

case of manufacturing businesses with a tax exemption decree, the manufacturing business identification number will be the decree number. If the business does not have a decree, enter the number assigned by the Industrial Development Company. Also indicate if the manufacturer provided you with a certification to the effect that the product(s) acquired are eligible products. Do not include purchases of products that have been manufactured in Puerto Rico by a business related to the business claiming the credit.

The eligible business must keep the necessary records evidencing the value of purchases for which the credit is claimed, as well as, any certificate issued by the manufacturer or other evidence of the nature of the eligible products purchased.

Line 4 - Enter the amount of credits under Section 1040D, of the Puerto Rico Internal Revenue Code of 1994, as amended, and Section 1051.09 of the Code not used in previous years (carryover). Submit a detailed schedule to reflect the composition of the carryover.

PART IV - LIMITATION OF CREDIT FOR PURCHASES OF PRODUCTS MANUFACTURED IN PUERTO RICO AND PUERTORRICAN AGRICULTURAL PRODUCTS

The credits provided in Sections 1051.07 and 1051.09 of the Code may only be used to reduce a 25% of the eligible business tax.

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

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

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

- 1) Have paid or accrued income tax outside in one or more of such jurisdictions.
- 2) Have included on your Puerto Rico income tax return taxable income from such jurisdictions.
- 3) Keep for your records evidence of the tax paid (copy of canceled checks and copy of the return filed to the IRS or other eligible jurisdictions). If the payment receipt or the tax return is written in a language that is not Spanish or English, you must provide a certified translation of it.

If you received income from sources in, or paid taxes to, more than one foreign country, territory or possession of the United States, provide the information separately for each foreign country, territory or possession in Parts I, II and III of Schedule C Corporation, indicating the name of each country, territory or possession in columns A, B and C. If you received income from sources in or paid taxes in more than 3 jurisdictions, as well as the United States, submit additional Schedules C Corporation.

Include in the column labeled "Total" the total amount of items of income and expenses, losses and deductions from sources outside of Puerto Rico.

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

Line 1 - Enter the gross taxable income derived from sources in each of the applicable jurisdictions, itemized by type of income listed on lines (a) through (g), and total them on line 1(h).

Taxable Gross Income

For purposes of Part I of Schedule C, the term "taxable gross income" means gross income of the taxpayer that is subject to income tax in Puerto Rico, so it will not include any items exempt under Section 1031.02 of the Code. Include in the appropriate columns all items of taxable gross income earned from sources in the relevant jurisdiction, even if such item of income was not subject to tax in that jurisdiction. Remember that on sales of property, gross income is determined by subtracting from the amount of sales, the cost or adjusted basis of the property sold.

Sources of Income

As a rule, the source of income is determined as follows:

- (1) Interest and dividends - Based on the residence or place of incorporation of the payer.
- (2) Compensation for services - Based on where services are rendered.
- (3) Rents and royalties - Based on where the property is located or the place of use or the privilege of using patents, copyrights, trademarks, goodwill (goodwill) or other similar property.
- (4) Gain on sale of inventory - If the property sold was acquired by purchase from unrelated persons, it is determined by where you transferred the title of the goods; to determine the source of income from the sale of inventory produced by the seller, or acquired by purchase from related persons, see sections 1035.04 and 1035.05 of the Code.
- (5) Gain on sale of personal property other than inventory - Based on the residence of the seller; certain exceptions apply in the case of depreciable property and intangible assets, as well as, sales through offices or other places of business located outside of Puerto Rico.
- (6) Gain on sale of real property - It is determined by the place where the property is located.

For additional information on how to determine the source of income, see Sections 1035.01 to 1035.07 of the Code.

Line 2 - Reduce the taxable gross income reflected on line 1(h) of each column by:

- (1) The expenses directly related to the production of such income,
- (2) The losses from sources of the relevant jurisdiction, and
- (3) A proportion of other expenses or deductions not related to a category of income.

The expenses or deductions to be included on line 2(c)(i) do **NOT** include losses accrued from sources in Puerto Rico, or expenses or deductions directly related to income from sources in Puerto Rico or items excluded from income or exempted from income tax under the Code or special acts.

Include on line 2(c)(ii) the taxable gross income of the taxpayer from all sources, including sources from Puerto Rico.

PART II - TAX PAID TO THE UNITED STATES, ITS POSSESSIONS AND FOREIGN COUNTRIES

Indicate the date of payment and the total tax paid or accrued to each jurisdiction. If the tax was paid or accrued in a foreign currency, such tax must be converted to U.S. dollars at the date of the payment. A schedule indicating the conversion to U.S. dollars must be kept for your records.

In the case of the taxes paid or accrued to the United States, it shall be computed **after** claiming the Foreign Tax Credit for taxes paid to foreign countries or United States possessions and territories, **including Puerto Rico**, on income from sources outside the United States included in the federal tax return.

PART III - DETERMINATION OF THE CREDIT

Line 2 - Include on line 2 the taxpayer's net income from all sources, increased by the income subject to preferential rates. Exclude the income reported in Part VII of Schedule D Corporation.

Line 4 - Include on this line the sum of lines 15, 16 and 17, Part III, page 1 of the return.

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

The credit cannot be greater than the tax paid or accrued to the foreign countries, the United States, its territories and possessions.

Transfer the total credit determined on line 6(b) to the Schedule B Corporation, Part II, line 1.

Alternative Minimum Tax

If you are subject to the alternative minimum tax, you must compute the amount determined under this Schedule using such tax and the alternative minimum net income. In Part I, include income from sources outside of Puerto Rico that were considered in determining the alternative minimum net income. Furthermore, it is necessary to make the adjustments that are indicated below:

- Part I, line 1(a) through 1(g) of Schedule C Corporation - substitute by the corresponding items of gross income of the taxpayer that is subject to alternative minimum tax; include in the corresponding column all items of gross income subject to alternative minimum tax earned from sources in the relevant jurisdiction, even if such item of income was not subject to tax in that jurisdiction.
- Part I, line 2(c)(ii) of Schedule C Corporation - substitute by the total gross income of the taxpayer that is subject to alternative minimum tax.
- Part III, line 2 of Schedule C Corporation - substitute by line 22 of Part III of Schedule A Corporation.
- Part III, line 4 of Schedule C Corporation - substitute by line 39 in Part VI of Schedule A Corporation.

Determine the credit amount on Schedule C Corporation recalculated with the above adjustments, enter it in this line and fill out completely the oval at the top that identifies the Schedule is recalculated for purposes of the alternative minimum tax.

SCHEDULE D CORPORATION - GAINS AND LOSSES FROM SALE OR EXCHANGE OF PROPERTY AND COMPUTATION OF THE TAX AT PREFERENTIAL RATES

Use this schedule to determine the gains or losses from the sale, exchange or disposal of the capital assets and the income tax subject to preferential rates.

A capital asset may be defined as a property acquired for investment owned by the taxpayer (related or not to its industry or business), but does not include: (a) goods of the taxpayer's business or other property of similar nature that can be properly included in the taxpayer's inventory, if it was in existence at the close of the taxable year, or property owned by the taxpayer primarily for the sale to customers during the ordinary course of its trade or business, or (b) property used in its trade or business subject to the allowance for current depreciation, or real property used in its trade or business.

Capital gain or losses are classified as short or long term, depending on the period held. If the capital assets were held for not more than 6 months, it is considered as **short-term** gain or loss, if the transaction was realized before July 1, 2014, or if the capital assets were held for not more than 1 year if the transaction was realized after June 30, 2014. On the other hand, if the capital assets were held for more than 6 months, it is considered as **long-term** gain or loss, if the transaction was realized before July 1, 2014, or if the capital assets were held for more than 1 year if the transaction was realized after June 30, 2014.

To determine short and long-term capital gains or losses, you must provide the description and location of the property sold, indicate if the adjusted basis was increased by the prepayment of the tax and complete the information in Columns (A) through (F) of Parts I and IV, and Columns (A) through (G) of Part II and III with respect to the properties.

The preferential tax rate in case of corporation is 15% if the gain was realized before July 1, 2014, and 20% if the gain was realized after June 30, 2014.

As a general rule, **the adjusted basis of the property** is its original cost plus the cost of the permanent improvements, less depreciation. Do not include lodging expenses (i.e. hotels) nor travel expenses (i.e. airline tickets).

Provisions applicable to the adjusted basis of certain capital assets:

The adjusted basis must include the increase in accumulated value of the capital assets on which a special tax was prepaid:

- 10% during the period of July 1 to December 31, 2006, as provided in Section 1121A of the Puerto Rico Internal Revenue Code of 1994, as amended (1994 Code), and
- 12% during the period of July 1 to January 31, 2015, as provided in Section 1023.22(b) of the Puerto Rico Internal Revenue Code of 2011, as amended (2011 Code).

Those taxpayers who elected to prepay the special tax rate of 10% or 12%, as applicable, must indicate it by filling in the oval in Parts II and III of this Schedule. **You must keep for your records Form AS 2731 with the corresponding Schedule.**

Any increase in value of the included capital assets generated after the elections provided by Sections 1121A of the 1994 Code and 1023.22 of the 2011 Code, must be taxed according to the tax rate in force at the moment in which the sale, exchange or other disposal of such capital assets finally takes place.

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

Recognition of loss:

Losses generated in the sale of capital assets for which the 10% or 12% special tax was prepaid, shall be adjusted according to the income tax rate in force applicable to this kind of transaction at the moment of the sale of such assets, before the use or carry over of said loss by the corporation. According to the above, such loss will be adjusted by a formula or fraction, where the numerator will be the 10% or 12% rates, as applicable, and the denominator will be the income tax rate in force at the date on which the sale of the asset took place.

For additional details, see Regulation No. 7188 of August 4, 2006.

Provisions applicable under Act 132-2010, as amended (Act 132), best known as the Real Property Market Stimulus Act and Act 216-2011, as amended (Act 216) best known as Housing Promotion Program Transition Act:

Acts 132 and 216 provide, among others, the following tax benefits for certain capital gains or losses:

(a) Exemption over net long-term capital gain

- the net long-term capital gain realized in the sale of **new construction property** acquired by the seller between **September 1, 2010 and June 30, 2013**, will be totally exempt from the payment of income tax.
- the net long-term capital gain realized in the sale of **qualified property** acquired by the seller between **September 1, 2010 and June 30, 2013**, will be 50% exempt from the payment of income tax.
- the net long-term capital gain realized in the sale of **eligible housing** acquired by the seller or by a qualified institutional investor between **July 1, 2013 and August 31, 2015**, will be exempt from the payment of alternative minimum tax. It provides that this exemption applies equally to that purchaser who purchases an eligible unit from a qualified institutional investor, provided it is the first sale that makes the investor after the initial acquisition.

(b) Use of the realized loss in the sale of qualified property

- Capital losses realized between **September 1, 2010 and June 30, 2013**, may be carried over up to a maximum of **15 years**. If you realized a loss on the sale of qualified property, submit with the return a schedule detailing the origination date of such losses, the amounts and the years in which they were claimed and the balance to be claimed in future years.

For purposes of Act 132 and Act 216, the following terms means:

(a) “Qualified property”

- every existing residential real property located in Puerto Rico suitable for family living, not occupied or occupied for residential purposes, that is not a New Construction Property, or
- every existing nonresidential real property located in Puerto Rico that was sold between September 1, 2010 and June 30, 2013 and which sales price did not exceed \$3,000,000.

(b) “New construction property”

- all newly built residential real property located in Puerto Rico, suitable for family living that has not been occupied and that is acquired from a Developer.

For real property to be considered as New Construction Property, the seller of the real property shall certify in writing to the purchaser, by affidavit, on or before the date of acquisition, that the real property is of new construction and has not been previously occupied; or

- every house model consisting of a ground level, two level or elevation of predesigned or prefabricated in reinforced concrete purchased from a bona fide pre-design or pre-fabrication

company and which plans have been approved by the Regulations and Permits Administration (ARPE) on or before December 30, 2009, except by means of a waiver from Secretary of the Department of Consumer Affairs.

For the pre-designed or pre-fabricated home to be considered of New Construction Property, the acquirer must submit a copy of the sales contract executed between the purchaser and the pre-design or pre-fabrication company and must have begun building with the appropriated Construction Permit issued by Permits Management Office (OGPE), between September 1, 2010 and June 30, 2013 and completed the construction on or before March 31, 2013 with the proper filing of the Application of Use Permit at the OGPE.

(c) “Developer”

Every natural or legal person, with the proper developer license, issued by the Department of Consumer Affairs, which is engaged in the construction business as an employer or principal responsible for the promotion, design, sales, construction of infrastructure works and housing projects, either single or multi-story type. For purposes of this Act, the term “Developer” shall also include those financial institutions or any natural or legal persons that by virtue of a judicial or extrajudicial proceeding, or by agreement of payment or similar transaction, becomes the successor in interest of a Developer.

(d) “Eligible Housing”

Property of new construction which was under construction at least a 50% of its realization at June 30, 2013.

(e) “Qualified Institutional Investor”

Every individual or legal person resident of Puerto Rico or any individual or legal person nonresident of Puerto Rico, which is engaged in the construction business that invest in a single act or separate acts, exclusively on eligible housing units, a minimum of \$1,000,000 or acquire not less than five eligible housing units.

The benefits provided by Act 132 and Act 216 will be available only to the first seller and corresponding first buyer of each new construction unit or qualified property, and will not apply to any acquirer in a subsequent transfer, even if it took place before June 30, 2013. Also, the benefits will not apply if the transferor of the property is considered a related person of the transferee of such property.

To be entitled to these benefits, you must include with the return corresponding to the year of the sale, copy of the Certification issued by the Department of the Treasury for such purposes.

For additional information, refer to Act 132, Act 216, Regulation No. 7923 of September 7, 2010, Regulation No. 8127 of December 23, 2011 and the Executive Order 2012-27 of June 8, 2012.

PART I - SHORT-TERM CAPITAL ASSETS GAINS AND LOSSES

Line 3 - Enter the distributable share on the net short-term capital gain (or loss) from partnerships or special partnerships if you elected to be taxed by category of income.

PART II - LONG-TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN 6 MONTHS - TRANSACTIONS REALIZED BEFORE JULY 1, 2014)

You must inform in this part the long-term capital gains and losses of transactions realized before July 1, 2014.

In order to be entitled to the benefits provided by Act 132 and Act 216, the taxpayer must inform in Column (F) the long-term capital gains and losses of qualified property or new construction property, as applicable. The total exempt gains will be declared for informative purposes only, therefore, they should not be included in Column (G). For gains that are only 50% exempt, you should include on Column (G) the 50% of Column (F). Furthermore, the losses determined in Column (F) must also be included in Column (G). Thus will be able to apply against other gains, if any, or carried over to future years.

Line 8 - Enter the amount determined on Form 480.60 S or 480.60 SE.

PART III - LONG TERM CAPITAL ASSETS GAINS AND LOSSES (HELD MORE THAN 1 YEAR - TRANSACTIONS REALIZED BEGINNING JULY 1, 2014)

You must inform in this part the long-term capital gain and losses of transactions realized beginning on July 1, 2014.

In order to be entitled to the benefits provided by Act 132 and Act 216, the taxpayer must inform in Column (F) the long-term capital gain and losses of qualified property or new construction property, as applicable. The total exempt gain will be declared for informative purpose only, therefore, they shall not be included in Column (G). For gains that are only 50% exempt, you should include on Column (G) the 50% of Column (F). Furthermore, the losses determined in Column (F) must also be included in Column (G). Thus will be able to apply against other gains, if any, or carried over to future years.

Line 13 - Enter the amount determined on Forms 480.60 S or 480.60 SE.

PART IV - LONG-TERM CAPITAL ASSETS GAINS AND LOSSES REALIZED UNDER SPECIAL LEGISLATION

You must inform in this part **only** the long-term capital gain and loss derived from the sale of shares or other property of a business that operates with a decree granted under any special act, or that operates and benefits from any special act, in which a special tax rate is provided in lieu of the tax imposed by the Code.

Line 16 - Enter the amount of Column (F). Indicate the act under which you received the benefit, and include the number of the decree that grants you the special treatment, if applicable.

PART V - SUMMARY OF CAPITAL GAINS AND LOSSES

Line 17 - Enter here **only** the net capital gains determined on lines 5, 10, 15 and 16.

Column A - Enter the net short-term capital gain, if any, determined in Part I, line 5, Column (F).

Column B - Enter the net long-term capital gain, if any, determined in Part II, line 10, Column (G).

Column C - Enter the net long-term capital gain, if any, determined in Part III, line 15, Column (G).

Column D - Enter the net long-term capital gain realized from the sale of shares or other property under the provisions of special legislation, if any, determined in Part IV, line 16, Column (F).

Line 18 - Enter here **only** the net capital losses determined on lines 5, 10, 15 and 16.

Column A - Enter the net short-term capital loss, if any, determined in Part I, line 5, Column (F).

Column B - Enter the net long-term capital loss, if any, determined in Part II, line 10, Column (G).

Column C - Enter the net long-term capital loss, if any, determined in Part III, line 15, Column (G).

Column D - Enter the net long-term capital loss realized from the sale of shares or other property under the provisions of special legislation, if any, determined in Part IV, line 16, Column (F).

Line 19 - This line must be used **when one or more** of Columns B through D reflects a loss on line 18. Such loss will be applied to the gain, if any, reflected in the other Columns of line 17, except Column A. If the other Columns do not reflect a gain on line 17, enter zero in the box.

Line 21 - If line 18, Column A reflects a loss, apply the same proportionally to the gains, if any, reflected on line 17. If no Column reflected gains on line 17, enter zero.

On this line, the net short-term capital loss reflected on line 18, Column A, is applied proportionally to the net long-term capital gains reflected on the line 17, Columns B through D, after having applied the net long-term capital loss.

Line 25 - The net capital loss carryover will be subject to the limit of 90% of the current year net capital gains.

The net capital losses can be used against the net capital gains of the next years as follows:

- Years beginning after June 30, 1995 and before January 1, 2006 - the carryover period will be five (5) years.
- Years beginning after December 31, 2005 and before January 1, 2013 - the carryover period will be ten (10) years.

- Years beginning after December 31, 2012 – the carryover period will be seven (7) years

Line 26 - The amount to be entered on this line will depend on each particular situation.

If line 17, Column A reflects a short-term capital gain, and at the same time line 23 reflects zero or a loss smaller than such gain, enter on this line the amount of line 24 less line 25.

If line 23 reflects zero or a gain, and at the same time line 17, Column A reflects a short-term capital gain, enter on this line the amount of line 17, Column A less line 25.

If none of the previously described situations applies, enter zero on this line.

Line 27 - Enter on this line the gain reflected on line 23, if any. That is, if the amount reflected on line 23 is zero or a loss, enter zero.

Line 28 - Enter the sum of the excess of the net short-term and long-term capital gains over the short-term and long-term capital losses.

Losses not allowed - No loss incurred will be recognized in any sale or other disposition of stocks or securities if substantially identical stocks or securities were purchased, or if it was agreed through a contract or purchase option to acquire substantially identical stocks or securities within 30 days prior to or after the sale or disposition date, except in case of stock and security dealers with respect to operations made in the ordinary course of business.

No deduction shall be allowed with respect to losses from sale or exchange of property executed directly or indirectly (except in case of distributions in liquidation), between an individual and a corporation in which that individual possesses, directly or indirectly, more than 50% of the outstanding stocks (except in case of distributions in liquidation), or between two corporations, with respect to any of these corporations outstanding stocks in which more than 50% is owned, directly or indirectly, by or for the same individual.

Gains and losses from involuntary conversions and from the sale or exchange of certain property used in the trade or business - The term property used in the trade or business means property that is used in the trade or business, held for more than 6 months if the sale or exchange was realized before July 1, 2014 and 1 year if the sale or exchange was realized after June 30, 2014, and that is subject to the allowance for current depreciation, and real property used in the trade or business, held for more than 6 months if the sale or exchange was realized before July 1, 2014 and 1 year if the sale or exchange was realized after June 30, 2014, and which is property not included in the taxpayer's inventory if in existence at the close of the taxable year, or property held by the taxpayer primarily for the sale to customers in the ordinary course of its trade or business.

The Code provides for a special treatment for gains and losses derived from the sale or exchange of depreciable property used in the trade or business held for more than 6 months if the sale or exchange was

realized before July 1, 2014 and 1 year if the sale or exchange was realized after June 30, 2014, and for gains and losses from a compulsory or involuntary conversion of such depreciable property and of capital assets, held for more than 6 months if the sale or exchange was realized before July 1, 2014 and 1 year if the sale or exchange was realized after June 30, 2014. Such gains could be treated as long-term capital gains and taxed at a rate of 15% or 20%, as applicable, or the normal tax rates, whichever is lower.

PART VI- DETERMINATION OF ALTERNATIVE TAX - CAPITAL GAIN AND OTHER INCOME SUBJECT TO PREFERENTIAL RATES UNDER THE CODE

Lines 30 through 32 - The amounts to include on these lines, in the cases that you elect to pay taxes on such items at the special rates, come from Schedule D Corporation, line 22, as applicable. The net short-term capital gains must be taxed at the regular rates and they cannot be transferred to this line.

You must enter **zero** on any line in which you decide to pay taxes at the regular rates on the gain and do not elect the special rates. This is in the cases where you derived gains in the two concepts indicated on this line.

Line 33 - Enter on this line the interest you elect to pay tax at the preferential rates, including eligible interest **only** if you elected the option to pay the total of them at the preferential tax rate of 10%. On the other hand, if you choose to include such interests as part of your gross income and pay the tax determined under the normal tax rates, do not complete this line. The total of the interest, including the eligible interests, must be included in Part IV, line 13 of the return.

The term **eligible interest** means any interest in bonds, notes or other obligations issued by a corporation engaged in a trade or business in Puerto Rico, including shares in trusts representing an interest in such bonds, notes or other obligations, provided that the proceeds from these obligations are used only in the industry or business in Puerto Rico of such corporation within a period no longer than 24 months from the issuance date of such obligations.

Also, any interest on mortgage loans on residential property located in Puerto Rico issued after July 31, 1997 and before January 1, 2014, secured or guaranteed under the provisions of the National Housing Act of June 27, 1934, as amended, or under the provisions of the Servicemen's Readjustment Act of 1944, will qualify for the aforementioned special preferential rate of 10%.

You must also include any interest in mortgage loans on residential property located in Puerto Rico which interest are not exempt under Section 1081.02(a)(3) of the Code, and shares in trusts representing an interest over such loans (or any other instrument representing an interest in such loans), provided the interest recipient is not a financial institution as such term is defined in Section 1033.17(f)(4) of the Code.

Line 34 - Include on this line any other income subject to preferential rates not specified in lines 30 through 33.

Lines 37 and 38 - Refer to the instructions of Part II, line 6 and Part III, line 9 of the return.

PART VII – DETERMINATION OF TAX AT PREFERENTIAL RATES UNDER SPECIAL ACTS

Line 48 – Enter on this line the result of the distributable share on the net income subject to preferential rates, as reported on line 7 of Form 480.60 SE or 480.60 S multiplied by the applicable tax rate. Indicate the Net Income in the corresponding box of this line, as reported on line 7 of Form 480.60 SE or 480.60 S. Also, enter the applicable Tax Rate in the corresponding box of this line.

If the amount reported is a loss, the same must be carried forward, as provided in the corresponding Special Act. If you have losses from previous years to be claimed against the net income reported in the current year, submit with the return a detail that includes the year in which the loss was generated, as reported on Form 480.60 SE or 480.60 S, the amount of the loss reported and the expiration date of such loss.

Line 49 – Enter on this line the result of the net income subject to the 4% tax rates, generated by an international financial entity that operates as a banking unit, multiplied by the 4% tax rate. Include the amount of Net Income subject to the 4% tax rate in the corresponding box of this line. Do not include this income as part of the bank net income on page 2 of the return.

Do not complete this line if it is an international financial entity that does not operate as a banking unit. In this case you must complete the Return for the 4% Special Tax of an International Insurer or an International Financial Entity (Form 480.20(AI)).

For additional details about the net income that is subject to the 4% tax rate, refer to the Act 273-2012, known as the International Financial Center Regulatory Act.

SCHEDULE E – DEPRECIATION

Schedule E will be used to provide detailed information related to the depreciation and amortization expense.

It will be used to inform each of the properties for which you claim depreciation. There are spaces for current, flexible and accelerated depreciation; amortization, automobiles and vehicles under financial leases.

On this schedule you must provide the following information:

- classification of the property;
- date acquired;
- allowable cost or basis;
- depreciation claimed in previous years;
- estimated useful life to determine the depreciation; and
- depreciation claimed in the current year.

For properties acquired from January 1, 2010, it is allowed to use the provisions of the Federal Internal Revenue Code and its Regulation in those cases in which Section 1033.07 or 1040.12 of the Code does not establish depreciation periods for certain tangible property.

Line (b) - Flexible Depreciation

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

Line (c) - Accelerated Depreciation

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

Refer to the Code and its regulations for other requirements and provisions in connection with the deduction under the flexible and accelerated depreciation methods. Submit this Schedule with your return.

Line (e) – Automobiles

For property that is an automobile it is allowed a deduction for depreciation up to \$6,000 annually per automobile, up to a maximum of \$ 30,000 for the automobile's useful life.

If the case of automobiles used by sellers, the amount of the depreciation deduction cannot exceed \$ 10,000 per year per automobile, up to a maximum of \$ 30,000 for the automobile's useful life.

If the automobile is used in a trade or business or for the production of income and is also used for personal purposes, the amount of this deduction will be reduced by the amount of personal use of it.

In the case of automobiles under operating leases, the amount of rent paid during the taxable year shall be allowed as a deduction for **depreciation** up to a maximum of \$6,000 annually per automobile or \$10,000 if used by a seller. Include on this line, the lease rental payments for automobiles under operating leases up to the limits indicated above. Do not include them as a deduction for rent, interest, motor vehicles expenses or any other item other than depreciation.

Line (f) - Automobiles under financial leases

In the case of leased automobiles **that are essentially equivalent to a purchase**, instead of current depreciation, it is allowed a deduction for the use of the vehicle for the amount paid during the taxable year up to \$6,000 per year per car, up to a maximum of \$30,000 for the lifetime of the automobile. See Section 1033.07 (a)(3)(D) for the definition of a lease that is essentially equivalent to a purchase.

If the case of automobiles used by sellers, it will be allowed as a deduction the amount paid for the lease of the car during the taxable year for an amount not exceeding \$10,000 per year per automobile, up to a maximum of \$30,000 for the automobile useful life.

Enter on this line the amount of lease payments that are substantially equivalent to a purchase, subject to the limits indicated above. Do not include as part of the payments the interest portion. Also, indicate the amount of vehicles for which you made lease payments. **Include with your return Form 480.7D.**

Do not include on this line regular lease payments for leased cars ("operating leases"). These are reported on line (e).

Include this Schedule with your return.

SCHEDULE IE CORPORATION – EXCLUDED AND EXEMPT INCOME

Complete this Schedule to inform the excluded and exempt income received during the taxable year.

PART I – EXCLUSIONS FROM NET INCOME

Line 1 - Indicate the amounts received under any plantation insurance, excluding fire insurance as a result of losses incurred by the insured.

Line 2 - Enter the income from debt discharge if the discharge is given, in whole or in part, under any of the following circumstances:

- ☞ filing for bankruptcy under Title 11 of the United States of America Code approved by a court with competent jurisdiction, or
- ☞ insolvency of the taxpayer (the liabilities exceed the fair market value of the assets).

If debt discharge is not due to the above circumstances, the income from it is considered taxable income.

The amount excluded from income from debt discharge will reduce the net operating loss incurred or available in the year of the discharge, the net capital loss incurred or available in the year of the discharge or the basis of any assets constituting collateral of the debt subject to the discharge, in that order.

Line 4 – Enter the total amount of other exclusions of gross income for which a line is not specifically provided on this Schedule. For example, the interest on mortgage loans on new construction property located in Puerto Rico issued after January 1, 2014 and secured under the provisions of the National Housing Act of 1934 or under the provisions of the servicemen's Readjustment Act of 1944, as amended. Also, enter amounts excluded from gross income under special laws. For more information, see Section 1031.01(b) of the Code.

PART II - EXEMPTIONS FROM GROSS INCOME

Line 1(C) - Enter the income received from interest on securities issued under the Agricultural Loans Act of 1971, as amended including obligations issued under any subsidiary of the Farm Credit Banks of Baltimore which funds are used to finance, directly or indirectly, agricultural loans and farmers in Puerto Rico. For more information, refer to Section 1031.02(a)(3)(C) of the Code.

Line 1(D) – Enter the interest income received from any of the following mortgages:

- ☞ secured by the National Housing Act of 1934, as amended, that has been issued not later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico;
- ☞ on residential property located in Puerto Rico issued after June 30, 1983 and before August 1, 1997, secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944, as amended;
- ☞ on new residential property located in Puerto Rico issued after July 31, 1997 and before January 1, 2014 and secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944. For those granted after January 1, 2014, see instructions for Part I, line 4 of this Schedule;
- ☞ originated to provide permanent financing for the construction or acquisition of social interest housing; and
- ☞ secured under the Bankhead-Jones Farm Tenant Act of 1937, as amended. (Section 1031.02(a)(3)(H)).

Line 1(E) – Enter the interest income received from obligations secured by the Servicemen's Readjustment Act of 1944 that were issued not later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico.

Line 1(F) – Enter the interest income received from obligations secured by cooperative associations up to \$5,000.

Line 1(G) – Enter the interest income received from obligations issued by the Puerto Rico Conservation Trust, the Puerto Rico Housing and Human Development Trust, the San Juan Monument Patronage and the Society of Education and Rehabilitation of Puerto Rico (SER of Puerto Rico) (See Section 1031.02(a)(3)(L) of the Code).

Line 1(H) - Enter the income received from interest on loans issued by a commercial bank or any banking or financial organism established in Puerto Rico to an employee's owned special corporation, which proceeds are used by such special corporation for one of the following purposes:

- ☞ finance the acquisition, development, construction, expansion, rehabilitation or improvement of real property located in Puerto Rico to be used for commercial purposes by the special corporation, provided that the loan does not exceed the cost of the property or the improvements to be made on it;
- ☞ finance the acquisition of machinery or other tangible personal property to be used for commercial purposes by the special corporation in its business operations in Puerto Rico, provided the loan does not exceed the purchase price of such property, or

- ☞ finance the acquisition of shares of stock in a corporation that is treated for Puerto Rico income tax purposes as a purchase of the assets of that corporation.

Line 1(I) - Enter the income received from interest on loans issued by a commercial bank or any banking or financial organism established in Puerto Rico to a person for the acquisition and payment of membership certificates as an ordinary, extraordinary or corporate member, as applicable, in an employee's owned special corporation.

Line 1(J) - Enter the income received from interest on loans issued by a commercial bank or any banking or financial organism established in Puerto Rico to a person for the purchase or investment in itself and for itself of preferred shares of an employee's owned special corporation.

Line 1(K) - Enter the income received from interest on loans of up to \$250,000 in the aggregate per exempt business granted to small and medium businesses as that term is defined in Act 73-2008, known as the "Economic Incentives for the Development of Puerto Rico Act" for its establishment or expansion, provided the loan meets the requirements of the act known as the Community Reinvestment Act of 1977, Pub Law 95-128, 91 Stat. 1147, as amended, and the requirements established by the Commissioner of Financial Institutions by regulations.

Line 1(L) - Enter the income received from interest on loans of up to \$250,000 in the aggregate per exempt business granted to shareholders of exempted businesses to be used in the initial capitalization or a subsequent capital requirement of a small or medium business which enjoys tax exemption, as such term is defined in Section 2(i) of Act 73-2008, known as the Economic Incentives for the Development of Puerto Rico Act.

Line 2(A) - Enter the dividends received by corporations distributed from industrial development income generated from interests on:

- ☞ obligations of the Commonwealth of Puerto Rico or any of its instrumentalities or political subdivisions;
- ☞ mortgages insured by the Puerto Rico Housing Finance Authority acquired after March 31, 1977, or
- ☞ loans or other securities which are guarantees by a mortgage, issued by any pension or retirement system of a general nature established by the Legislature of Puerto Rico, the municipalities and agencies, instrumentalities and corporations of the Government of Puerto Rico, acquired after March 31, 1977.

Line 2(B) - Enter the distributions of limited dividends' corporations that qualify under Section 1101.01(a)(6)(A) of the Code. The taxpayer must submit with the return a statement showing the number of shares held and the dividends received on such shares during the taxable year.

Line 2(C) - Enter the dividends received from domestic cooperative associations if the taxpayer who received them is considered an entity resident of Puerto Rico.

Line 2(D) - Enter the income received by means of dividend distributions made by an International Insurer or an International Insurer Holding Company pursuant to the provisions of Article 61.240 of the Insurance Code of Puerto Rico. Include Form 480.6D.

Line 3 - Enter the amount received for recovery of bad debts, previous taxes, surcharges and other items. For more information, see Section 1031.02(a)(8) of the Code.

Line 4 - Enter the income from news agencies or unions or other press services, received from journalistic or broadcast companies, for rents or royalties for the use or publication or the right to use or publish in Puerto Rico, literary or artistic property of such agencies or unions.

Line 5 - Enter the amount received for certain exempt income related to the operation of an employee's owned special corporation, such as 90 percent of the rental of real and personal property used by the corporation in its development, organization, construction, establishment or operation. For more information, see Section 1031.02(a)(17) of the Code.

Line 6 - Enter the income received or accrued in connection with the celebration of sports games organized by international associations and federations. This provision applies to teams from the Major League Baseball (MLB) and National Basketball Association of America (NBA) in connection with the celebration of games in Puerto Rico. For more information, see Section 1031.02(a)(21) of the Code.

Line 7 - Enter the income derived by the International Insurer or an International Insurer Holding Company, subject to the provisions of Article 61.240 of the Insurance Code of Puerto Rico, including the income derived from the liquidation or dissolution of the operations in Puerto Rico.

Line 8 - Enter the amount of income received from the rental of buildings in historic areas as established by the Institute of Puerto Rican Culture or the Planning Board.

Line 9 - Enter the income derived from any of the activities described in paragraph (a) of Section 12 of Act No. 52 of August 11, 1989, as amended, known as the "International Banking Center Regulatory Act" carried out by any International Banking Entity duly authorized to carry out such activities under the provisions of the Act, including the income derived from the liquidation or dissolution of the operations in Puerto Rico.

Line 11 - Enter the income derived from buildings leased to the Commonwealth of Puerto Rico for public hospitals, convalescence or nursing homes and public schools, exclusively for those buildings that had a lease in effect at November 22, 2010.

Line 12 - Enter the income derived by the taxpayer from the resale of personal property or services whose acquisition by the taxpayer was subject to taxation under Section 3070.01 of the Code or Section 2101 of the Puerto Rico Internal Revenue Code of 1994, as amended.

Line 13 - Enter the distributions of amounts previously reported as eligible deemed distributions under Section 1023.06(j) of the Code.

Line 14 - Enter the distributions of dividends or profits of industrial development income of exempt businesses or in liquidation under the Economic Incentives for the Development of Puerto Rico Act (Act 73-2008) and the Tax Incentives Act of 1998 (Act 135-1997).

For the treatment of such current or liquidation distributions, see Internal Revenue Circular Letter No. 09-06 of July 22, 2009.

Line 16 - Enter the gross income, up to \$500,000, produced by a new business created by a young entrepreneurs whose age oscillate between 16 and 35 years. Such new business will have to be in the first three years of operation with a special agreement for the creation of young businesses. For additional details, refer to the Act 135-2014 (Act for the Incentive and Financing of Young Entrepreneurs).

Line 17 - Enter the total amount of other exemptions from gross income for which there is no specific line provided on this Schedule, even if they are granted by special laws.

SCHEDULE R CORPORATION – PARTNERSHIPS AND SPECIAL PARTNERSHIPS

Complete Schedule R Corporation if the corporation is a partner of one or more partnerships or special partnerships. If you have share in more than three partnerships or special partnerships, you must also complete and submit with the return the amount of Schedules R1 Corporation that are necessary.

Part I of Schedule R Corporation is used every year to determine the taxpayer's basis in each partnership or special partnership. Part II of this schedule is used to determine the net income or loss of the partner's share in one or more partnerships and special partnerships, including those losses carried over from previous years. Part II provides for the losses to be reduced by the distributable share of income and profits attributable to the partner during the year between the different partnerships and special partnerships.

You must complete this schedule annually, whether the partnership or special partnership has derived or not gains or losses.

PART I - ADJUSTED BASIS DETERMINATION OF A PARTNER IN ONE OR MORE PARTNERSHIPS OR SPECIAL PARTNERSHIPS

Line 1 - Enter the amount from Part I, line 5 of previous year Schedule R Corporation.

The basis of a partner's interest from a partnership or special partnership will be the amount of cash, or the adjusted basis of any property that is not considered cash, contributed to said partnership.

This basis will be adjusted by the following items or transactions made during the taxable year that the determination is made and others included on the previous year income tax return:

Line 2 - Basis increase

- (a) Enter the partner's distributable share on previous year's income and profits.

For example, in case of a taxpayer with a calendar taxable year, enter the total distributable share on the partnership or special partnership's income or profit included on the income tax return filed on April 15 of previous year (or later if you requested an extension of time to file your return). This amount must be the same as the one shown on line 8, Part II of Schedule R Corporation included on the previous year income tax return.

- (b) through (d) These entries are from the current taxable year.

Enter the proportion of income or gain attributable to your share on the income from agriculture earned by the partnership or special partnership, which is tax exempt under Section 1033.12 of the Code.

Enter other income or gains like for example, the distributable share on the dividends and interest received by the partnership or special partnership.

Line 3 - Basis decrease

- (a) Enter the distributable share on the loss attributable to the partner in the previous year.

For example, in case of a taxpayer with a calendar taxable year, enter the total distributable share on the partnership or special partnership's loss included on the income tax return filed on April 15 of the previous year (or later if you requested an extension of time to file your return). To determine the total loss claimed on the previous year return, add lines 6(c) and 9 and compare with line 15 of Part II from Schedule R Corporation included on the previous year return. In order to add lines 6(c) and 9 use the parenthesis for line 9, if the excess is a loss. If line 15 of Part II is zero or more than zero, add lines 6(c), 9 and 10 of Part II. For example, if line 6(c) of Part II is \$12,000, line 9 of Part II (\$2,000) and line 10 of Part II \$2,000, the result will be \$12,000 (\$12,000 + (\$2,000) + \$2,000). If line 15 of Part II is less than zero, you must add lines 6(c) and 9 of Part II and subtract the corresponding share of the available loss of the previous year and not used, reflected on line 15 of Part II.

- (b) The distributable share on partnership or special partnership's capital assets loss.
- (c) Distributions made to the partner by the partnership or special partnership, whether in cash or in property, including tax exempt income.
- (d) The amount claimed as credit against the income tax in the previous taxable year for investments made in partnership or special partnership engaged in the production of feature films or under the Puerto Rico Tourism Development Act of 1993, the Puerto Rico Capital Investment Fund Act, the Puerto Rico Agricultural Tax Incentives Act, as amended, or any other credit admitted by law to the partners related to the partnership or special partnership's activities.
- (e) The amount claimed as credit against the income tax for withholding of tax at source from the distributable share made to a resident partner (30%) or to a non-resident alien partner (29%).

- (f) Any expense from the partnership or special partnership not allowed as a deduction while determining your net income and that is not capitalized.
- (g) The distributable share on net losses from tax exempt operations under the Tourism Incentives Act of 1983 and the Tourism Development Act of 1993.
- (h) **Only in the case of partnerships**, the charitable contributions made to eligible entities.
- (i) Partner's debts assumed and guaranteed by the partnership.

Line 4 - If the amount on this line is less than zero, enter zero.

PART II - DETERMINATION OF NET INCOME OR LOSS IN ONE OR MORE SPECIAL PARTNERSHIPS OR PARTNERSHIPS

For taxable years beginning after December 31, 2010, if the special partnership or partnership derived losses, the partner may not claim such losses as a deduction from other income that is not the income derived from other special partnerships or partnerships. This loss will be limited to the adjusted basis of the partner's interest in the partnership at the end of the taxable year in which the partnership loss is claimed.

The adjusted basis limitation will be determined for each one of the special partnerships or partnerships in which is a partner.

Line 5(a) - Enter the amount distributed from the partner's loss in accordance to its share percentage in the special partnership or partnership. This amount is informed to the partner in Form 480.60 SE or 480.60 S, respectively.

Line 5(b) - Enter the carryover losses which were not claimed in previous years due to the limitation. This amount must be equal to line 15 of Part II of Schedule R Corporation included on the income tax return of 2013 taxable year, if a loss. If a partner possesses shares in losses from more than one partnership or special partnership, the balance subject to the loss carryover, as determined in the previous taxable year, will be proportionally attributed to the loss of each one of the partnerships. Said attribution will be done by using as factor the adjusted basis of the partner's share in each one of the partnerships at the end of the previous taxable year.

Line 6 - Enter on this line the amount determined in Part I, line 4. If the special partnership or partnership has an exemption decree under the Puerto Rico Tourism Incentives Act or the Puerto Rico Tourism Development Act, you may use the debts of the special partnership or partnership, as reported in Part I, line F of Forms 480.60 S and 480.60 SE, in proportion to your share to increase your adjusted basis on line 6(b), only to claim losses of the special partnership or partnership from this activity.

Also, include on line 6(c) the portion of the partnership's current debts assumed by the partner that are guaranteed by him as established on Form 480.60 S, Part I, line D and on Form 480.60 SE, Part I, line E.

Line 7 - Enter the partner's distributable share on the income and profits derived from the special partnership or partnership during the year. This amount is reflected on Form 480.60 SE or Form 480.60 S, respectively. Exclude the net income subject to special tax rate derived from operations of a business with a tax exemption decree.

Line 8 - If the amount on this line is a loss, use the parenthesis.

Line 9 - Enter the smaller of the amounts on lines 6(d) and 8. This will be the maximum amount to which the partner is entitled to claim as a deduction for losses against income from other partnerships or special partnerships.

Line 14 - If the result is a net gain, transfer the amount to Part IV, line 16 of the return.

If the result is a net loss, it is not deductible but you can carryover it to future years. The balance of the loss carryover shall be allocated proportionally to the loss of each of the entities. The allocation is done using as a factor the adjusted basis of the partner's interest in each of the entities at the close of the taxable year.

SCHEDULE R1 CORPORATION – PARTNERSHIPS AND SPECIAL PARTNERSHIPS (COMPLEMENTARY)

Complete Schedule R1 Corporation, if the corporation is a partner of more than three partnerships or special partnerships. As Schedule R Corporation, Schedule R1 Corporation is used each year to determine the adjusted basis and the net profit or loss on the partner's share in each partnership or special partnership, including the loss carryover from previous years.

Use the amount of Schedules R1 Corporation needed. For additional information, see instructions of the Schedule R Corporation.

SCHEDULE S CORPORATION - FARMING INCOME (BONAFIDE FARMER)

Use this schedule to determine the agricultural taxable benefit. However, if you claimed benefits under the provisions of the Puerto Rico Agricultural Tax Incentives Act (Act 225-1995, as amended), refer to the Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Programs - Special Acts (Form 480.30(II)LE).

PART II – OPERATING EXPENSES AND OTHER COSTS

Enter the deductions related with the farming operations on lines 10 through 32.

In Column (A) enter **only** the portion deductible (49%) of:

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

In Column (B) enter the total of each expense item, which will include the amount indicated in Column (A).

SCHEDULE T CORPORATION – ADDITION TO THE TAX FOR FAILURE TO PAY ESTIMATED TAX IN CASE OF CORPORATIONS

Use this schedule to determine the addition to the tax for failure to pay estimated tax.

PART I – DETERMINATION OF THE MINIMUM AMOUNT OF ESTIMATED TAX TO PAY

Line 2 – Include the total of withholdings and credits provided by the Code or special laws for the taxable year, including the non refundable tax paid in excess corresponding to the previous taxable year. Add line 23, Part II of Schedule B Corporation, and lines 3 through 10, Part III of Schedule B Corporation.

For information about the Moratorium of Tax Credits, please see the instructions of Schedule B Corporation, the Internal Revenue Circular Letter No. 13-08 and Sections 1051.11, 1051.12 and 1051.13 of the Code.

Line 3 – If the amount of estimated tax to be paid is zero or less, you were not required to pay estimated tax, thus, do not complete this Schedule.

Line 5 – Enter the amount indicated on lines 12, 13, 16 and 19 of Part III, page 1 of the preceding taxable year's return, or an amount equal to the tax computed at the rates and law applicable to the taxable year using the data included on the income tax return of the previous year.

Act 77-2014 established several amendments to the Code, including changes in the additional tax on gross income. Such tax will be computed separate of the income tax and alternative minimum tax, and the same will be subject to the estimated tax payment.

PART II – ADDITION TO THE TAX FOR FAILURE TO PAY

Section A – Failure to Pay

Fill in completely the oval for calendar year if your taxable year ends on December 31, otherwise, fill in the oval which indicates fiscal year. If you filled in the oval for fiscal year, enter in Columns (a), (b), (c) and (d), the date corresponding to the 15th day of the fourth month, sixth month, ninth month, and twelfth month of the taxable year, respectively.

Line 8 – If the duty to pay the estimated tax was met **for the first time** before the first day of the fourth month of the taxable year, enter in each Columns 25% of line 7. If the duty was met **for the first time** after the last day of the third month and before the first day of the sixth month of the taxable year, enter in Columns (b), (c) and (d) 33% of line 7. If the duty was met **for the first time** after the last day of the fifth month and before the first day of the ninth month of the taxable year, enter in Column (c) and (d) 50% of line 7. If the duty was met **for the first time** after the last day of the eighth month and before the fifteenth day of the twelfth month of the taxable year, enter in Column (d) 100 % of line 7.

If there is any change in the computation of the estimated tax, enter the amount of the installment according with the corresponding change.

Line 9 – Enter in Column (a) the amount of estimated tax paid not later than April 15 of the taxable year (the 15th day of the fourth month of the taxable year if you have a fiscal year); in Column (b), the estimated tax paid after April 15 of the taxable year (the 15th day of the fourth month of the taxable year if you have a fiscal year) and not later than June 15 of the taxable year (the 15th day of the sixth month of the taxable year if you have a fiscal year); in Column (c), the estimated tax paid after June 15 of the taxable year (the 15th day of the sixth month of the taxable year if you have a fiscal year) and not later than September 15 of the taxable year (the 15th day of the ninth month of the taxable year if you have a fiscal year); and in Column (d), the estimated tax paid after September 15 of the taxable year (the 15th day of the ninth month of the taxable year if you have a fiscal year) and not later than December 15 of the taxable year (the 15th day of the twelfth month of the taxable year if you have a fiscal year).

Line 10 – If various payments were made in the periods described in the instructions for line 9, indicate the amount and date of the payments.

Line 11 – To determine the amounts to be entered in Columns (b), (c) and (d), you must complete lines 11 through 17 of the previous column.

Any overpayment, after covering the estimated tax payment of the corresponding installment, will be attributed first to the amount of estimated tax of previous installments due and not paid and then to the subsequent installments.

Section B – Penalty

Line 18 – 10% of the estimated tax of each installment due but not paid will be added to the tax.

Line 19 – The amount determined on this line reflects the proportion of the penalty attributable to the installments of estimated tax paid after the due date, if applicable.

DUTY TO PAY ESTIMATED TAX

IMPORTANT NOTICE

Beginning on taxable year 2010, the requirement to file the Estimated Tax Declaration (Form 480-E) was eliminated. However, the duty to make the estimated tax payments is still required.

ESTIMATED TAX COMPUTATION

The estimated tax computation, including, the alternative minimum tax, will be made using an approximate calculation of the gross income that can reasonably be expected that the corporation will receive or accumulate, as applicable, depending on the accounting method in which the net income determination is based on, and an approximate calculation of the deductions and credits provided by the Code or special laws, including the non refundable tax paid in excess corresponding to the previous taxable year.

PAYMENT OF ESTIMATED TAX

The estimated tax for the taxable year will be paid in four installments:

1st installment:	the 15th day of the fourth month
2nd installment:	the 15th day of the sixth month
3rd installment:	the 15th day of the ninth month
4th installment:	the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the third month and prior to the first day of the sixth month of the taxable year, the installments will be:

1st installment:	the 15th day of the sixth month
2nd installment:	the 15th day of the ninth month
3rd installment:	the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the fifth month and prior to the first day of the ninth month of the taxable year, the installments will be:

1st installment:	the 15th day of the ninth month
2nd installment:	the 15th day of the twelfth month

If the duty to pay estimated tax arises for the first time after the last day of the eighth month and prior to the fifteenth day of the twelfth month of the taxable year, the estimated tax will be paid in its entirety on the 15th day of the twelfth month of the taxable year.

The estimated tax installments will be paid together with a payment coupon (Forms 480.E-1 or 480.E-2). Taxpayers who paid estimated tax in the previous year, will receive a booklet containing 4 coupons (Forms 480.E-2) with their name, address and employer identification number. New taxpayers or taxpayers who have not received the coupons booklet, must visit the Taxpayer Service Center (Office 101) of the Department of the Treasury in Old San Juan, where the payment coupons (Form 480.E-1) will be prepared. You may also make the payments without the need of a coupon using Payments Online. For additional information, please call (787) 722-0216.

The estimated tax payments must be made through Payments Online, in the participating banks (if you have the preprinted coupon), at the Internal Revenue Collections Offices or mailed to the Returns Processing Bureau to the following address:

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

Payments with checks in participating banks must be made payable to the order of such banks. Payments with managers checks, checks or money orders at the Internal Revenue Collections Offices will be made payable to the Secretary of the Treasury.

CHANGES IN THE ESTIMATED TAX COMPUTATION

If there is any change in the estimated tax computation as a result of a change in income, deductions or for any other reason, the remaining installments must be proportionally increased or reduced to reflect the increase or reduction in the estimated tax.

PENALTIES

The Code establishes in Section 6041.10 a 10% penalty of the amount not paid of any estimated tax installment. For these purposes, the estimated tax will be the smaller of:

- 1) 90% of the tax for the taxable year, or
- 2) the larger between:
 - a) the total tax determined as it results from the preceding year's income tax return, or
 - b) an amount equal to the tax computed at the rates and under the law applicable to the taxable year using the data included in the income tax return of the previous year.

The previous clause (2) will not be applicable if the previous taxable year was not a 12 month taxable year, or if the corporation filed a tax return for that previous taxable year in which a tax determined was not reflected, without taking into consideration any credit to which the corporation had been entitled, including credits for taxes withheld or paid. On the other hand, you can take into consideration any credit for taxes paid or accumulated during the taxable year to the United States, its territories and possessions, or any foreign country to which you are entitled.

INDUSTRIAL CODES

11 Agriculture, forestry, fishing and hunting	3251 Basic Chemical Manufacturing	4219 Miscellaneous Durable Goods
1111 Oilseed and Grain Farming	3252 Resin, Synthetic Rubber, and Artificial and Synthetic Fibers	4221 Paper and Paper Product
1112 Vegetable and Melon Farming	3253 Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing	4222 Drugs and Druggists' Sundries
1113 Fruit and Tree Nut Farming	3254 Pharmaceutical and Medicine Manufacturing	4223 Apparel, Piece Goods, and Notion
1114 Greenhouse, Nursery, and Floriculture Production	3255 Paint, Coating, and Adhesive Manufacturing	4224 Grocery and Related Product
1119 Other Crop Farming	3256 Soap, Cleaning Compound, and Toilet Preparation Manufacturing	4225 Farm Product Raw Material
1121 Cattle Ranching and Farming	3259 Other Chemical Product and Preparation Manufacturing	4226 Chemical and Allied Products
1122 Hog and Pig Farming	3261 Plastics Product Manufacturing	4227 Petroleum and Petroleum Products
1123 Poultry and Egg Production	3262 Rubber Product Manufacturing	4228 Beer, Wine, and Distilled Alcoholic Beverage
1124 Sheep and Goat Farming	3271 Clay Product and Refractory Manufacturing	4229 Miscellaneous No durable Goods
1125 Animal Aquaculture	3272 Glass and Concrete Product Manufacturing	44-45 Retail Trade
1132 Forest Nurseries and Gathering of Forest Products	3273 Cement and Glass Product Manufacturing	4411 Automobile Dealers
1133 Logging	3274 Lime and Gypsum Product Manufacturing	4412 Other Motor Vehicle Dealers
1141 Fishing	3279 Other Nonmetallic Mineral Product Manufacturing	4413 Automotive Parts, Accessories, and Tire Stores
1142 Hunting and Trapping	3311 Iron and Steel Mills and Ferroalloy Manufacturing	4421 Furniture Stores
1151 Support Activities for Crop Production	3312 Steel Product Manufacturing from Purchased Steel	4422 Home Furnishings Stores
1152 Support Activities for Animal Production	3313 Alumina and Aluminum Production and Processing	4431 Electronics and Appliance Stores
1153 Support Activities for Forestry	3314 Nonferrous Metal (except Aluminum) Production and Processing	4441 Building Material and Supplies Dealers
21 Mining	3315 Foundries	4442 Lawn and Garden Equipment and Supplies Stores
2121 Coal Mining	3321 Forging and Stamping	4451 Grocery Stores
2122 Metal Ore Mining	3322 Cutlery and Hand tool Manufacturing	4452 Specialty Food Stores
2123 Nonmetallic Mineral Mining and Quarrying	3323 Architectural and Structural Metals Manufacturing	4453 Beer, Wine, and Liquor Stores
2131 Support Activities for Mining	3324 Boiler, Tank, and Shipping Container Manufacturing	4461 Health and Personal Care Stores
22 Utilities	3325 Hardware Manufacturing	4471 Gasoline Stations
2211 Electric Power Generation, Transmission and Distribution	3326 Spring and Wire Product Manufacturing	4481 Clothing Stores
2212 Natural Gas Distribution	3327 Machine Shops: Turned Product, and Screw, Nut, and Bolt Manufacturing	4483 Jewelry, Luggage, and Leather Goods Stores
23 Construction	3328 Coating, Engraving, Heat Treating, and Allied Activities	4511 Sporting Goods, Hobby, and Musical Instrument Stores
2331 Land Subdivision and Land Development	3329 Other Fabricated Metal Product Manufacturing	4512 Book, Periodical, and Music Stores
2333 Nonresidential Building Construction	3331 Agriculture, Construction, and Mining Machinery Manufacturing	4521 Department Stores
2341 Highway, Street, Bridge, and Tunnel Construction	3332 Industrial Machinery Manufacturing	4529 Other General Merchandise Stores
2349 Other Heavy Construction	3333 Commercial and Service Industry Machinery Manufacturing	4531 Florists
2351 Plumbing, Heating, and Air-Conditioning Contractors	3334 Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing	4532 Office Supplies, Stationery, and Gift Stores
2352 Painting and Wall Covering Contractors	3335 Metalworking Machinery Manufacturing	4533 Used Merchandise Stores
2353 Electrical Contractors	3336 Engine, Turbine, and Power Transmission Equipment Manufacturing	4539 Other Miscellaneous Store Retailers
2355 Carpentry and Floor Contractors	3339 Other General Purpose Machinery Manufacturing	4541 Electronic Shopping and Mail-Order Houses
2356 Roofing, Siding, and Sheet Metal Contractors	3341 Computer and Peripheral Equipment Manufacturing	4542 Vending Machine Operators
2357 Concrete Contractors	3342 Communications Equipment Manufacturing	4543 Direct Selling Establishments
2358 Water Well Drilling Contractors	3343 Audio and Video Equipment Manufacturing	48-49 Transportation and Warehousing
2359 Other Special Trade Contractors	3344 Semiconductor and Other Electronic Component Manufacturing	4811 Scheduled Air Transportation
31-33 Manufacturing	3345 Navigational, Measuring, Electro medical, and Control Instruments Manufacturing	4812 Nonscheduled Air Transportation
3111 Animal Food Manufacturing	3346 Manufacturing and Reproducing Magnetic and Optical Media	4821 Rail Transportation
3112 Grain and Oilseed Milling	3351 Electric Lighting Equipment Manufacturing	4831 Deep Sea, Coastal, and Great Lakes Water Transportation
3113 Sugar and Confectionery Product Manufacturing	3352 Household Appliance Manufacturing	4832 Inland Water Transportation
3115 Dairy Product Manufacturing	3353 Electrical Equipment Manufacturing	4841 General Freight Trucking
3116 Animal Slaughtering and Processing	3359 Other Electrical Equipment and Component Manufacturing	4842 Specialized Freight Trucking
3118 Bakeries and Tortilla Manufacturing	3361 Motor Vehicle Manufacturing	4851 Urban Transit Systems
3119 Other Food Manufacturing	3362 Motor Vehicle Body and Trailer Manufacturing	4852 Interurban and Rural Bus Transportation
3121 Beverage Manufacturing	3363 Motor Vehicle Parts Manufacturing	4853 Taxi and Limousine Service
3122 Tobacco Manufacturing	3364 Aerospace Product and Parts Manufacturing	4855 Charter Bus Industry
3132 Fabric Mills	3365 Railroad Rolling Stock Manufacturing	4859 Other Transit and Ground Passenger Transportation
3133 Textile and Fabric Finishing and Fabric Coating Mills	3366 Ship and Boat Building	4861 Pipeline Transportation of Crude Oil
3141 Textile Furnishings Mills	3369 Other Transportation Equipment Manufacturing	4862 Pipeline Transportation of Natural Gas
3149 Other Textile Product Mills	3371 Household and Institutional Furniture and Kitchen Cabinet	4871 Scenic and Sightseeing Transportation, Land
3151 Apparel Knitting Mills	3372 Office Furniture (including Fixtures) Manufacturing	4872 Scenic and Sightseeing Transportation, Water
3152 Cut and Sew Apparel Manufacturing	3379 Other Furniture Related Product Manufacturing	4881 Support Activities for Air Transportation
3159 Apparel Accessories and Other Apparel Manufacturing	3391 Medical Equipment and Supplies Manufacturing	4882 Support Activities for Rail Transportation
3161 Leather and Hide Tanning and Finishing	3399 Other Miscellaneous Manufacturing	4883 Support Activities for Water Transportation
3162 Footwear Manufacturing	42 Wholesale Trade	4884 Support Activities for Road Transportation
3169 Other Leather and Allied Product Manufacturing	4211 Motor Vehicle and Motor Vehicle Parts and Supplies	4885 Freight Transportation Arrangement
3211 Sawmills and Wood Preservation	4212 Furniture and Home Furnishing	4889 Other Support Activities for Transportation
3212 Veneer, Plywood, and Engineered Wood Product Manufacturing	4213 Lumber and Other Construction Materials	4911 Postal Service
3222 Converted Paper Product Manufacturing	4214 Professional and Commercial Equipment and Supplies	4921 Couriers
3231 Printing and Related Support Activities	4215 Metal and Mineral (except Petroleum)	4922 Local Messengers and Local Delivery
3241 Petroleum and Coal Products Manufacturing	4216 Electrical Goods	51 Information
	4217 Hardware, and Plumbing and Heating Equipment and Supplies	5111 Newspaper, Periodical, Book, and others Publishers
	4218 Machinery, Equipment, and Supplies	5112 Software Publishers

5121 Motion Picture and Video Industries	6214 Outpatient Care Centers
5122 Sound Recording Industries	6215 Medical and Diagnostic Laboratories
5131 Radio and Television Broadcasting	6216 Home Health Care Services
5132 Cable Networks and Program Distribution	6219 Other Ambulatory Health Care Services
5133 Telecommunications	6221 General Medical and Surgical Hospitals
5141 Information Services	6222 Psychiatric and Substance Abuse Hospitals
5142 Data Processing Services	6231 Nursing Care Facilities
52 Finance and Insurance	6232 Residential Mental Retardation, Mental Health and Substance Abuse Facilities
5221 Depository Credit Intermediation	6233 Community Care Facilities for the Elderly
5222 No Depository Credit Intermediation	6239 Other Residential Care Facilities
5223 Activities Related to Credit Intermediation	6242 Community Food and Housing, and Emergency and Other Relief Services
5231 Securities and Commodity Contracts Intermediation and Brokerage	6243 Vocational Rehabilitation Services
5239 Other Financial Investment Activities	6244 Child Day Care Services
5241 Insurance Carriers	71 Arts, Entertainment, and Recreation
5242 Agencies, Brokerages, and Other Insurance Related Activities	7111 Performing Arts Companies
5251 Insurance and Employee Benefit Funds	7112 Spectator Sports
5259 Other Investment Pools and Funds	7113 Promoters of Performing Arts, Sports, and Similar Events
53 Real Estate and Rental and Leasing	7114 Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
5311 Lessors of Real Estate	7115 Independent Artists, Writers, and Performers
5312 Offices of Real Estate Agents and Brokers	7121 Museums, Historical Sites, and Similar Institutions
5313 Activities Related to Real Estate	7131 Amusement Parks and Arcades
5321 Automotive Equipment Rental and Leasing	7132 Gambling Industries
5322 Consumer Goods Rental	7139 Other Amusement and Recreation Industries
5323 General Rental Centers	72 Accommodation and Food Services
5324 Commercial and Industrial Machinery and Equipment Rental and Leasing	7211 Traveler Accommodation
5331 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	7212 Recreational Vehicle Parks and Camps
54 Professional, Scientific, and Technical Services	7213 Rooming and Boarding Houses
5411 Legal Services	7221 Full-Service Restaurants
5412 Accounting, Tax Preparation, Bookkeeping, and Payroll Services	7222 Limited-Service Eating Places
5413 Architectural, Engineering, and Related Services	7223 Special Food Services
5414 Specialized Design Services	7224 Drinking Places (Alcoholic Beverages)
5415 Computer Systems Design and Related Services	81 Other Services (except Public Administration)
5416 Management, Scientific, and Technical Consulting Services	8111 Automotive Repair and Maintenance
5417 Scientific Research and Development Services	8112 Electronic and Precision Equipment Repair and Maintenance
5418 Advertising and Related Services	8113 Commercial and Industrial Machinery and Equipment Repair
5419 Other Professional, Scientific, and Technical Services	8114 Personal and Household Goods Repair and Maintenance
55 Management of Companies and Enterprises	8121 Personal Care Services
5511 Management of Companies and Enterprises	8122 Death Care Services
56 Administrative and Support and Waste Management and Remediation Services	8123 Dry-cleaning and Laundry Services
5611 Office Administrative Services	8129 Other Personal Services
5612 Facilities Support Services	8131 Religious Organizations
5614 Business Support Services	8132 Grant making and Giving Services
5615 Travel Arrangement and Reservation Services	8133 Social Advocacy Organizations
5616 Investigation and Security Services	8134 Civic and Social Organizations
5617 Services to Buildings and Dwellings	8139 Business, Professional, Labor, Political, and Similar Organizations
5619 Other Support Services	8141 Private Households
5621 Waste Collection	
5629 Remediation and Other Waste Management Services	
61 Educational Services	
6111 Elementary and Secondary Schools	
6112 Junior Colleges	
6113 Colleges, Universities, and Professional Schools	
6114 Business Schools and Computer and Management Training	
6115 Technical and Trade Schools	
6116 Other Schools and Instruction	
6117 Educational Support Services	
62 Health Care and Social Assistance	
6211 Offices of Physicians	
6212 Offices of Dentists	
6213 Offices of Other Health Practitioners	



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IMPORTANT NOTICE:

DO NOT FORGET TO WRITE THE EMPLOYER IDENTIFICACION NUMBER IN THE CORRESPONDING BOX ON THE RETURN AND SCHEDULES. THIS NUMBER IS NECESSARY TO PROCESS YOUR RETURN.