



# INSTRUCTIONS BOOKLET

INCOME TAX RETURN  
FOR BUSINESSES WITH TAX  
EXEMPTION DECREES  
**2023**

**FOR PUERTO RICO**  
FILE YOUR RETURN ON TIME



**DEPARTMENT OF THE TREASURY**  
GOVERNMENT OF PUERTO RICO

## TABLE OF CONTENTS

	Page
Taxpayer Bill of Rights .....	3
Relevant Facts .....	4
Instructions to Complete the Return .....	9
Instructions to Complete the Schedules:	
Schedule A Incentives - Alternative Minimum Tax .....	13
Schedule B Incentives - Recapture of Credits Claimed in Excess, Other Payments and Withholdings ..	15
Schedule B1 Incentives - Tax Credits for Businesses with Tax Exemption Decreases .....	17
Schedule E - Depreciation .....	22
Schedule E1 - Depreciation for Businesses with Volume of \$3,000,000 or Less .....	23
Schedule EI Incentives - Operations of Disregarded Entities .....	23
Schedule G Incentives - Detail of Net Operating Losses from Previous Years .....	23
General Instructions for Schedules J, K, L and M Incentives .....	24
Schedule J Incentives - Income Tax for Exempt Businesses Engaged to Industrial Development, Manufacture and Green Energy .....	34
Schedule K Incentives - Income Tax for Exempt Businesses Engaged to Other Activities of Economic Development .....	37
Schedule L Incentives - Income Tax for Partially Exempt Businesses .....	39
Schedule M Incentives - Income Tax from Fully Taxable Operations .....	45
General Instructions for Schedules J1 and L1 Incentives - Computation of the Special Deductions .....	47
Schedule L2 Incentives - Determination of Tax from Segregated Assets Plans of an International Insurer	48
Schedule T Incentives - Addition to the Tax for Failure to Pay Estimated Tax in Case of Businesses with Tax Exemption Decreases .....	49
Schedule CC - Charitable Contributions .....	49
Duty to Pay Estimated Tax .....	50
Industrial Codes List .....	51

## TAXPAYER 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 employees of the Department of the Treasury (Department).

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

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 subject 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 before the Department at any moment during the interview, or to be able to conclude 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 interests, 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 full tax liability when it becomes due.

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 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 Office for the Protection of Taxpayer Rights.

### OFFICE FOR THE PROTECTION OF TAXPAYER RIGHTS

The Office for the Protection of Taxpayer Rights (Ombudsman of the Taxpayer) was created foremost to assure the 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 Ombudsman of the Taxpayer is responsible for attending the problems and claims of the taxpayers and to facilitate the process between the taxpayers and the Department. Also, the Ombudsman of the Taxpayer has authority to prevent or correct any infringement of the rights of the taxpayer made by any official or employee of the Department.

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

**CORPORATIONS AND LIMITED LIABILITY COMPANIES THAT ARE TAXED AS A CORPORATION ENGAGED IN TRADE OR BUSINESS IN PUERTO RICO AND THAT DERIVE INCOME COVERED BY A TAX EXEMPTION DECREE**

Section 1061.16(e) of the Puerto Rico Internal Revenue Code of 2011, as amended ("Internal Revenue Code"), establishes the requirements for filing the return of corporations with an exemption decree under Act No. 60 of July 1, 2019, as amended, known as the Puerto Rico Incentives Code ("Act 60-2019") or any previous or subsequent act of similar nature, which are subject to tax under Subtitle A of the Code (hereinafter, "Exempt Businesses").

Those Exempt Businesses with current decrees under the Puerto Rico incentives acts prior to the implementation of Act 60-2019, had to use the following forms issued by the Department of the Treasury ("Department"):

- Form 480.30(II)DI - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Program Industrial Development
- Form 480.30(II)EV - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Program Green Energy
- Form 480.30(II)DT - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Program Tourism Development
- Form 480.30(II)C - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Program Film Industry
- Form 480.30(II)LE - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Program Special Acts
- Form 480.20(AI) - 4% Special Tax Return of an International Insurer or an International Financial Entity

On the other hand, those Exempt Businesses with decrees issued under Act 60-2019 had to use Form 480.30(II) - Income Tax Return for Exempt Businesses under the Puerto Rico Incentives Code (Act 60-2019).

However, with the objective of simplifying the filing and processing of these forms, reducing the costs associated with said processing, assisting in their monitoring and enabling the electronic filing of the Income Tax Return of those corporations that derive fully or partially tax exempt income under Act 60-2019 or any previous or subsequent act of similar nature, for taxable year 2023 the Department determined to consolidate these seven (7) forms into one.

For these purposes, the new Exempt Business form effective for tax periods that began on or after January 1, 2023 is: **Form 480.30(II) - Income Tax Return for Businesses with Tax Exemption Decrees.**

**GENERAL DEFINITIONS**

Some general definitions presented in Act 60-2019 are included, which may serve as reference in the preparation of the Schedules of this return.

**Decree** - Means the concession, by means of a contract issued by the Secretary of the Department of Economic Development and Commerce ("DDEC", for its Spanish acronym), allowing an Eligible Business, to enjoy the incentives and/or tax credits

corresponding to said Eligible Business, subject to compliance with the requirements and applicable regulations, either under the Incentives Code or previous incentives acts.

**Entity** - Means any corporation, limited liability company, partnership or any other juridical person. Likewise, the tax treatment that these entities receive in accordance with the Puerto Rico Internal Revenue Code is recognized, including any election made by such entities under said Code.

**Eligible Income or Exempt Income** - Means the income earned from eligible activities by Exempt Businesses under the Incentives Code or previous incentives acts.

**Eligible Investment** - Means the amount of cash used by an Exempt Business in accordance with the Incentives Code or previous incentives acts, or any Entity Affiliated to such Exempt Business, and that qualifies under one of these categories:

- (i) Eligible Tourism Investment
- (ii) Special Eligible Investment
- (iii) Creative Eligible Investment
- (iv) Eligible Green or Highly Efficient Energy Investment
- (v) Eligible Manufacturing Investment
- (vi) Eligible Agroindustrial or Agricultural and Livestock Operations Investment
- (vii) Strategic Projects

**Special Eligible Investment** - Means the amount of cash used by the Exempt Business that has a Decree granted pursuant to the Incentives Code or under any of the previous incentives acts, or any Entity Affiliated with an Exempt Business in research and development activities carried out in Puerto Rico during a taxable year, as defined in the Incentives Regulations. The term Special Eligible Investment includes an Exempt Business investment that is made with the cash from the programs, a loan that is guaranteed by the Exempt Business itself or by its assets, or any Entity Affiliated to the Exempt Business or by its assets, or any Entity Affiliated with the Exempt Business or by its assets. This term will also include an Exempt Business investment, made with the cash from a scholarship, agreement or in any other way financed by a governmental entity of the United States, but not of Puerto Rico. The Secretary of the DDEC, in consultation with the Secretary of the Treasury and/or the Secretary of Agriculture, as applicable, will establish the criteria to identify the costs that will qualify as a Special Eligible Investment in the Incentives Regulations.

**Eligible Business** - Means those individuals or business activities that qualify to obtain a Decree under the Incentives Code and previous incentives acts.

**Exempt Business** - Means any Eligible Business that has been granted a Decree.

**New PYME** - Means an Exempt Business that complies with the definition of the term PYMES of the Incentives Code that has not started operations as of the effective date of said Code. The Incentives Regulations may provide additional factors to be analyzed to determine if it is a New PYME.

**Person** - Means any natural or legal person, pass-through entity, estate or trust.

You may refer to Sections 1020.01 through 1020.10 of the Incentives Code for additional general definitions and definitions applicable to each industry.



**Small and Medium Enterprises (PYMES)** - Means Exempt Businesses, that generate an average volume of business of three million dollars (\$3,000,000) or less during the three (3) taxable years preceding the current taxable year. For these purposes, and pursuant to Section 1061.15 of the Internal Revenue Code, the volume of business will be the total generated from the sales of goods, products and services without considering the cost of the goods or products sold by the Eligible Business, and will include the volume of business of the controlled group, as such term is defined in Section 1010.04 of the Internal Revenue Code, or group of related entities, as such term is defined in Section 1010.05 of the Internal Revenue Code. For purposes of the Incentives Code, the term PYMES does not include Resident Individual Investors, Hard-to-Recruit Professionals, nor the terms Professional Medical Services and Eligible Scientific Research.

#### PAYMENTS FOR THE PREPARATION OF THE RETURN AND SANCTIONS TO RETURNS SPECIALISTS

**Indicate if you paid for the preparation of your return and make sure that the specialist signs the return and includes his/her registration number. THE INTERNAL REVENUE 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 IMPOSED BY SUCH CODE.**

The Specialist must declare under penalty of perjury that he/she examined the return and to the best of his/her knowledge and belief, it 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 of three digits in the parenthesis located in the space 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 minimum charge. This charge is in addition to any other interests, surcharges or penalties provided by the Code or any other fiscal act, for omissions in fulfilling the tax responsibility. The Department may make the collection in a traditional or electronic manner.

#### ELECTRONICALLY FILING THE TAX RETURN

You must file your Income Tax Return electronically using any program or application certified by the Department. In addition, you must submit electronically through the Internal Revenue Integrated System ("SURI", for its Spanish acronym), the evidence required by the Department to support any item included in the return. Said evidence must be submitted after having filed electronically the return, but no later than the fourth business day after the due date prescribed by the Code to file the Corporation Return, including extensions. In those cases where the taxpayer files after the due date of the return, the evidence must be submitted on the fourth business day after the electronic filing of the return. For more information related to the electronic filing process, refer to Internal Revenue Circular Letter No. 24-13 of May 31, 2024.

#### FINANCIAL STATEMENTS REQUIREMENT

Those taxpayers engaged in trade or business or for the production of income in Puerto Rico, will be required to submit financial statements with their 2023 income tax return, as indicated below:

If the volume of business during the taxable year is \$10 million or more, the entity will be required to submit with the return, financial statements audited by a Certified Public Accountant ("CPA") licensed in Puerto Rico, that reflect the results of its operations for the taxable year.

When the volume of business during a taxable year is less than \$1 million, the entity will not be required to submit financial statements with the return. However, the taxpayer may **voluntarily** submit, together with the filing of the return, one of the following documents to be able to claim the other deductions that are subject to validation for purposes of the alternative minimum tax, as provided in Section 1022.04 of the Internal Revenue Code:

- Agreed-Upon Procedures Report ("AUP") under Internal Revenue Circular Letter No. 19-14 ("IR CL 19-14") related to the alternative minimum tax, prepared by a CPA licensed in Puerto Rico; or
- Audited financial statements, under Section 1061.15 of the Internal Revenue Code, together with an Audit Report issued by a CPA licensed in Puerto Rico ("Audited Financial Statements").

If the volume of business during the taxable year is equal to or more than \$1 million, but less than \$3 million, the business will not be required to submit Audited Financial Statements with the return. However, those taxpayers that, together with the filing of their return, voluntarily submit any of the following documents, the deduction limitations established in Section 1022.04 of the Internal Revenue Code will not apply:

- AUP under IR CL 19-14 prepared by a CPA licensed in Puerto Rico;
- AUP under Internal Revenue Circular Letter No. 20-39 ("IR CL 20-39") prepared by a CPA licensed in Puerto Rico; or
- Audited Financial Statements.

In addition, every business that is up to date with its tax responsibility and under these conditions, chooses to include the Audited Financial Statements or the AUP under IR CL 20-39, shall be entitled to a total or partial withholding waiver on payments for services rendered.

When the volume of business for the taxable year is equal to or more than \$3 million, but less than \$10 million, the entity may choose to submit Audited Financial Statements or the AUP under IR CL 20-39 prepared by a CPA with license in Puerto Rico. If the business submits one of these reports, the deduction limitations established in Section 1022.04 of the Internal Revenue Code will not apply.

#### Financial Statements and Supplementary Information

The Audited Financial Statements required by Section 1061.15 of the Internal Revenue Code will include a balance sheet, an income statement, a cash flow statement, and a statement of changes in equity. They must be submitted with an Auditor's Report issued by a CPA licensed to practice in Puerto Rico.



The Auditor's Report should indicate that the financial statements have been submitted under the United States Generally Accepted Auditing Standards ("US GAAS"), without the need for the CPA to issue an opinion without qualifications. Qualified opinions, as defined by US GAAS, will be accepted provided that the qualification of the opinion is not due to restrictions on the scope of the audit imposed by the business. Reports with abstention of opinion that is due to restrictions in the scope of the audit imposed by the business will not be accepted, neither will reports with adverse opinion.

Section 1061.15(b) of the Code establishes the requirement to include additional information to the financial statements that are submitted with the return. Every corporation that submits Audited Financial Statements along with the return, even if it is voluntarily, will have the obligation to submit supplementary information, as described in Section 1061.15(b) of the Code ("Supplementary Information"). However, for taxable years beginning after December 31, 2022, the supplementary information requirements will apply only to the circumstances described in Section 1061.15(b)(2)(O), (P) and (Q) of the Code (certain construction businesses, hospital units and financial institutions). For additional information on the Guidelines for the Preparation of the Schedules Required as Supplementary Information, refer to Administrative Determination No. 14-06 of March 6, 2014 and Administrative Determination No. 15-24 of December 17, 2015.

The Supplementary Information must be submitted no later than the last day of the month following the due date to file the income tax return, including extensions. That is, a corporation with a tax exemption grant under the Incentives Code with a calendar year, must file the return on June 15, therefore, the due date to submit the Supplementary Information will be no later than January 31 of the next year, even when the entity has not requested an extension of time to file the return.

#### Group of Related Entities

In the case of a group of related entities, as defined in Section 1010.05 of the Internal Revenue Code, Section 1061.15(a)(5) of said Code establishes the requirement to submit consolidated or combined financial statements, according to the provisions of the Generally Accepted Accounting Principles of the United States of America ("US GAAP") that include a schedule that presents in columns, the financial position and the results of operations of each member of the group of related entities.

For purposes of complying with the requirement to include Audited Financial Statements of a group of related entities, it will be necessary to determine the group's aggregate volume of business. Therefore, it will be necessary to add the volume of business of each member of the group of related entities.

If during the taxable year, the group of related entities determines an aggregate volume of business equal to or more than \$10 million, the following requirements will apply:

- Every entity member of the group that has generated a volume of business equal to or more than \$1 million, will have to submit consolidated or combined financial statements, according to the provisions of US GAAP, that include a schedule that presents in columns, the financial situation and the results of operations of each member of the group of related entities prepared by a CPA with license in Puerto

Rico. Nevertheless, the entity will be able to submit an Audited Financial Statement individually, 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.

- Those entities that are members of the group, that have generated a volume of business of less than \$1 million, will not be required to submit Audited Financial Statements. Nevertheless, such entities will be required to submit, at their choice, an AUP under IR CL 20-39 prepared by a CPA licensed in Puerto Rico or Audited Financial Statements.

Every entity member of a group of related entities that, according to the previously indicated rules, is required to file Audited Financial Statements, will also be required to submit the Supplementary Information described in Section 1061.15(b) of the Internal Revenue Code.

**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.**

**For additional information on the requirements to file Audited Financial Statements, refer to Section 1061.15 of the Internal Revenue Code. For additional information about the AUP, refer to IR CL 19-14 related to the alternative minimum tax and to IR CL 20-39 related to the Audited Financial Statements.**

#### CONTRACTS WITH GOVERNMENTAL ENTITIES

Every person, natural or legal, contracted by a governmental entity must comply with Executive Order 91-24, as amended, and the provisions of the Circular Letters of the Department 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 taxable 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 the Department, the property tax certification from the Municipal Revenue Collections Center ("CRIM", for its Spanish acronym) and the corresponding certification from the Department of Labor and Human Resources. These documents must be requested annually.

Since sometimes the tax return for the last filing year cannot be certified because the return has not been processed by the Department, it is recommended to print a copy of the electronically filed return. This way you will get a copy with the Department's electronic filing seal.

#### ESTIMATED TAX PAYMENT

The four installments of the estimated tax corresponding to the 2023 calendar year or to the 2023-2024 taxable period, will be made electronically through SURI.

### 360° TAXPAYER'S SERVICE CENTERS

In the 360° Service Centers, besides **informing the taxpayer about the status of their 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 telephone number of the "Hacienda Responde" Contact Center and the location of each one of our 360° Service Centers:

☞ **"Hacienda Responde" Contact Center**  
Telephone: (787) 622-0123

☞ **San Juan 360° Services Center**  
Intendente Ramírez Building  
10 Paseo Covadonga, Office 101

☞ **San Juan 360° Services Center - Representative's Center**  
Intendente Ramírez Building  
10 Paseo Covadonga, Office 101

☞ **Aguadilla 360° Services Center**  
Governmental Center  
Muñoz Rivera Street, Bo. Pueblo, 1st Floor

☞ **Arecibo 360° Services Center**  
Santiago Cabán Building  
158 Mariano Vidal Street, 1st Floor

☞ **Caguas 360° Services Center**  
Governmental Center, Basement  
Goyco Street, Acosta Corner

☞ **Mayagüez 360° Services Center**  
Governmental Center  
50 Nenadich Street, Office 108

☞ **Ponce 360° Services Center**  
9223 Marina Street  
In front of the Town Square

☞ **Cidra 360° Services Center**  
City Hall Annex Building  
33 Muñoz Barrios Street

To guarantee the health and safety of our taxpayers, the Department has established a controlled system to serve taxpayers through technological platforms, telephone, email and an appointment and shift system through the Turnos PR application in our website [www.hacienda.pr.gov](http://www.hacienda.pr.gov) or at [www.hacienda.turnospr.com](http://www.hacienda.turnospr.com). On the other hand, to carry out transactions and obtain online services, you can access our SURI digital platform at [suri.hacienda.pr.gov](http://suri.hacienda.pr.gov). In addition, any taxpayer who does not have a SURI account can contact (787) 622-0123.

### TECHNICAL ASSISTANCE

For additional information on the technical contents of this booklet or to clarify any doubts, please call (787) 622-0123, **option number 8 in the directory** or send a message through your SURI account.

### HACIENDA MAKING CONNECTION

Access the Department of the Treasury's website: [www.hacienda.pr.gov](http://www.hacienda.pr.gov). Here you can find information about the following services, among others:

- ☞ Preparation, filing and electronic transfer of the Corporation Income Tax Return using programs or applications certified by the Department
- ☞ Preparation, filing and electronic transfer of the Individual Income Tax Return through SURI or using programs or applications certified by the Department
- ☞ Preparation of the 2023 Withholding Statements and Informative Returns through SURI
- ☞ Preparation and filing of the Employer's Quarterly Return of Income Tax Withheld through SURI
- ☞ Virtual Internal Revenue Collections Office / Payments Online
- ☞ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)
- ☞ Puerto Rico Internal Revenue Code of 2011, as amended (Spanish only)
- ☞ Forms, Returns and Informative Booklets, such as:
  - Income Tax Return of Taxable Corporations (Informative)
  - 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 (Aplica a causantes fallecidos a partir del 1 de enero de 2011 hasta el 31 de diciembre de 2017)* (Informative) (Spanish only)
  - *Modelo SC 2800 C - Planilla Informativa de Caudal Relicto (Aplica a causantes fallecidos a partir del 1 de enero de 2018)* (Informative) (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 hasta el 31 de diciembre de 2017)* (Informative) (Spanish only)

- *Modelo SC 2788 B - Planilla Informativa de Donaciones (Aplica a donaciones efectuadas a partir del 1 de enero de 2018)* (Informative) (Spanish only)
- Informative Booklet to Provide Guidance on the Income Tax Responsibilities of Federal, Military and Other Employees
- *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)
- *Folleto Informativo – Responsabilidad personal por violaciones al Código de Rentas Internas de 2011, según enmendado* (Spanish only)
- Informative Bulletins, Circular Letters and Administrative Determinations



**WHO MUST FILE THIS RETURN?**

Every corporation engaged in trade or business in Puerto Rico that has an Exemption Decree under the Incentives Code under any of the following eligible activities:

- ✎ Export of Goods and Services
- ✎ Finance, Investments and Insurance
- ✎ Visitor Economy
- ✎ Manufacturing
- ✎ Infrastructure and Green Energy
- ✎ Agroindustries
- ✎ Creative Industries
- ✎ Creative Industries (Film Industry)
- ✎ Entrepreneurship
- ✎ Opportunity Zones
- ✎ Other Industries

In addition, this form must be filed by every corporation engaged in a trade or business in Puerto Rico which derives fully or partially exempt income under any of the following acts:

- ✎ Puerto Rico Industrial Incentives Act of 1963, as amended (*Act No. 57 of 1963*)
- ✎ Hospitals Tax Exemption Act of 1968, as amended (*Act No. 168 of 1968*)
- ✎ Tourism Incentives Act of 1983, as amended (*Act No. 52 of 1983*)
- ✎ Puerto Rico Tax Incentives Act of 1987, as amended (*Act No. 8 of 1987*)
- ✎ Puerto Rico Tourism Development Act of 1993, as amended (*Act 78-1993*)
- ✎ Puerto Rico Agricultural Tax Incentives Act, as amended (*Act 225-1995*)
- ✎ Tax Incentives Act of 1998, as amended (*Act 135-1997*)
- ✎ Economic Incentives for the Development of Puerto Rico Act, as amended (*Act 73-2008*)
- ✎ Puerto Rico Tourism Development Act of 2010, as amended (*Act 74-2010*)
- ✎ Puerto Rico Green Energy Incentives Act, as amended (*Act 83-2010*)
- ✎ Municipal Economic and Tourism Development Incentives Act (*Act 118-2010*)
- ✎ Act to Promote the Exportation of Services (*Act 20-2012*)
- ✎ Puerto Rico Incentives Code, including businesses eligible under opportunity zones (*Act 60-2019*)
- ✎ Jobs Now Act (*Act 1-2013*)

- ✎ Young Entrepreneurs Incentives and Financing Act (*Act 135-2014*)
- ✎ International Financial Center Regulatory Act (*Act 273-2012*)

Also, this return must be filed by a corporation which has derived income from the sale of admission tickets for artistic and cultural shows that are performed according to the provisions of one of the following acts:

- ✎ Special Act for the Rehabilitation of Santurce, as amended (*Act No. 148 of 1988*)
- ✎ Special Act for the Creation of the Theatrical District of Santurce, as amended (*Act 178-2000*)
- ✎ Special Act for the Rehabilitation of Río Piedras, as amended (*Act 75-1995*)
- ✎ Special Act for the Development of Castañer, as amended (*Act 14-1996*)

On the other hand, this return must be filed by every corporation which has derived income from a Film Entity engaged in a Film Project or an Infrastructure Project under the following acts:

- ✎ Film Industry Development Act (*Act 362-1999*)
- ✎ Puerto Rico Film Industry Economic Incentives Act (*Act 27-2011*)

In those cases where a corporation operates under a tax exemption decree under the Incentives Code or any previous act of the Puerto Rico incentives program that is effective during any part of the taxable year, it will use this return to report all income received during the taxable year. Income from fully taxable operations must be reported on Schedule M Incentives.

Likewise, if the entity reports activities of disregarded entities that do not have an exemption decree, they will include them as part of the return in their Schedule E Incentives. On the other hand, they will include them as part of the incentives schedules if the disregarded entity has an exemption decree.

**WHEN AND WHERE IT MUST BE FILED?**

This return must be filed no later than the 15th day of the sixth 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 in the same way no later than the 15th day of the sixth month following the close of the taxable year.

The return must be filed electronically using any program or application certified by the Department. For more information related to the process of electronic filing, refer to the publications that the Department will issue with the details of the electronic filing of this form.

**AUTOMATIC EXTENSION OF TIME TO FILE THE RETURN**

A 6 month automatic extension of time to file the return will be granted if it is requested no later than the due date to file the return. The request must be made by electronically filing Form AS 2644 through SURI.

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 thereof.**

## HEADING OF THE RETURN

You must indicate the beginning and ending date of the taxable year in the space provided in the heading, under the title of the return. In the Taxable Year box, select the corresponding alternative. In the case of a taxable year of 52-53 weeks, the date on which said year begins and ends must be entered in the space provided for that purpose. Likewise, in the event that the entity files a return for a period of less than twelve months, it must include the date on which said taxable year begins and ends.

## NAME, EMPLOYER IDENTIFICATION NUMBER AND ADDRESS

Enter in the corresponding box the name of the corporation. Enter the registration number assigned by the Department of State.

Enter the date and identify the place of incorporation of the corporation, whether in Puerto Rico or foreign country. If it is a foreign country, indicate the same.

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

If the corporation does not have an 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 of the Treasury, the Manufacturer's number (in the applicable cases), 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) and the corresponding NAICS code, as stated in your Merchant's Registration Certificate. 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 codes list provided on page 51, in order to facilitate the description of the commercial activity and enter the corresponding code.**

Select the corresponding box if the corporation is a Large Taxpayer pursuant to Section 1010.01(a)(35) of the Internal Revenue Code. For purposes of determining the business volume required in subsection (G) of said section, the aggregate business volume of all members of the group of related entities, as said term is defined in Section 1010.05 of said Code, shall be determined.

Check the box if the corporation has contracts with governmental entities.

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 same. You can also change your address at any time of the year through your SURI account by following the steps indicated below: (i) login to your SURI account; (ii) in the *More options* menu, find the *Taxpayer's Information* section and click *Manage Names and Addresses* link; (iii) in the *Addresses* menu, select the address you want to

change and click *Change this address* link; (iv) enter the new address and click the *Verify address* link; (v) once the address is verified, click the *Next* option to continue to the next screen; (vi) on the *Review and Submit* screen, make sure to click on the *Submit* link. The system will provide you with a confirmation number for the change of address request. We encourage you to keep this number for your records. If you do not have an account in SURI, and you still do not have to file the return, you must report it using Form SC 2898 (Change of Address), available through our website: [www.hacienda.pr.gov](http://www.hacienda.pr.gov).

Check the corresponding box to indicate if an Extension of Time to File the Income Tax Return (Form AS 2644.1) was filed.

Indicate the type of entity in the space provided. Also indicate if 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 when registering the group through SURI in accordance with the procedure established in Internal Revenue Circular Letter No. 20-18 (IR CL 20-18). As part of this registration process, each group must designate a main member, with knowledge of the operations of the group and of the entities that comprise it, to be the person responsible for managing and updating the group's account in SURI.

For additional information refer to the instructions of Form AS 2652.1 and IR CL 20-18.

You must enter the e-mail address of the contact person representing you before the Department of the Treasury.

You must identify if the filing of this return corresponds to one of the following situations: (1) First, (2) Last or (3) Change of period. If you select option 3, you must have answered "Yes" to question 27 of the Questionnaire in Part VII of the return.

The taxpayer must include the acts and the exemption decree numbers for the activities reported on this return.

In case that activities from more than one exemption decree are reported, you must check the option provided and include the details of each exempt activity.

## PART I - TAX LIABILITY

### Line 1 – Tax liability

Enter in the corresponding subsections of line 1 the total tax determined in each one of the corresponding schedules.

### Line 2 - Other payments and withholdings

Enter the tax paid for the specified concepts to be credited against the tax liability for the year, as determined on line 9, Part II of Schedule B Incentives.

### Line 3 - Balance of tax due

If the amount on line 2 is more than the total of line 1(e), there is an excess of tax withheld or paid. The excess must be credited against the addition to the tax for failure to pay estimated tax. Any surplus may be credited against next year's estimated tax, contributed to the San Juan Bay Estuary Special Fund or to the Special Fund for the University of Puerto Rico or refunded, as indicated on lines 7, 8, 9 and 10. If you filed the return after the due date established by the Internal Revenue Code to file it or requested an extension of time and did not pay the total amount due, you must calculate the interests and surcharges that apply

from the due date to file the return to the date on which the return was filed and the tax due was paid. Refer to the **Interests, Surcharges and Penalties** section later on.

**Line 4 - 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 Incentives. See instructions to complete the Schedules.

**Line 5 - Excess of tax withheld or paid**

Enter on this line the difference between the total of line 1(e) and line 2 only in those cases where line 2 is more than the total of line 1(e) of this Form 480.30(II).

If line 4 is zero, transfer the amount indicated on this line to line 7, 8, 9 or 10, whichever applies. Otherwise, add lines 3(d) and 4 and enter the difference between the total of such lines and line 5 on line 7, 8, 9 or 10, as applicable.

**Line 6 - Amount paid with the return**

The payments may be made only electronically through SURI. The payment methods available to make any transaction in SURI are the following: 1) credit card, Visa or Master Card, 2) ACH Debit (Direct Debit) and 3) ACH Credit.

For additional information regarding payment methods for transactions in SURI, please refer to Internal Revenue Informative Bulletin No. 20-03: Payment Methods Accepted in Transactions through the Internal Revenue Integrated System.

The payments may be made by electronic debit if you use a program or application certified by the Department to file your return. If an electronic debit through one of these programs or applications is authorized, you must enter the amount on line 3(a). Remember to enter in the corresponding screen of the certified program the account number and the routing/transit number information, necessary to make the electronic debit.

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 interests and surcharges, from the filing due date to the date on which the payment was made.

**INTERESTS, SURCHARGES AND PENALTIES**

**Interests**

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

**Surcharges**

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

**Penalties**

The Internal Revenue 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.

Also, any person required 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 Internal Revenue 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 Internal Revenue Code or regulations) with the intention to avoid or defeat any tax imposed by such Code, in addition to other penalties, shall be guilty of a third degree felony.**

**SIGNATURE AND OATH OF THE RETURN**

The return must be signed by the president, vice president, treasurer, assistant treasurer or other principal or finance officer of the corporation.

Every principal officer must include his/her name in legible print letter and indicate in the document the date in which the return was signed.

The return can also be signed by an Authorized Agent designated by the Board of Directors of the Corporation. You must keep for your records the Corporate Resolution of the Board authorizing the Agent to sign the aforementioned return, in the event that it is subsequently required by the Department.

**PARTS II, III AND IV - COMPARATIVE BALANCE SHEET, RECONCILIATION OF NET INCOME (OR LOSS) PER BOOKS WITH NET TAXABLE INCOME (OR LOSS) PER RETURN, AND ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS**

This financial statements and reconciliation must be completed in all of its parts in order for the return to be considered filed. Therefore, do not submit this information in loose sheets to substitute the statements or the reconciliation. **Any return that does not comply with these requirements will be returned.**

**PART V AND VI – COMPENSATION TO DIRECTORS AND OFFICERS**

Enter the total compensation paid or accrued to all directors and officers of the entity for salaries, allowances or other type of compensation. Also, you must include the name, social security number and the percentage of stocks or shares owned, if any. The total amount reflected in this part as compensation must be equal to the amount claimed on Schedules EI, J, K, L, L2 and M Incentives. If the entity files more than one of these schedules, the amount entered in this part must be equal to the sum of the amounts reflected on each schedule for this concept.

**PART VII – QUESTIONNAIRE**

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

**Line 7 -** Indicate if the volume of business of the entity or the aggregate volume of business of the group of related entities, if the entity is a member of said group, is equal to or more than \$10 million. If so, indicate whether you are including the required reports with this return.



**Line 7(a)** - Indicate if you are including audited financial statements, as provided in Section 1061.15 of the Internal Revenue Code. You must include the stamp number of the CPA Society.

**Line 7(b)** - Indicate if you are including the Report of Uncertain Tax Positions. The same is required for those taxpayers who are required to file financial statements according to Section 1061.15 of the Internal Revenue Code.

**Line 7(c)** - Indicate whether audited financial statements or an agreed-upon procedure report signed by a CPA licensed in Puerto Rico is included, as provided in Section 1061.15(a)(5)(A)(ii) of the Internal Revenue Code, when the entity is a member of a group of related entities and the business volume of the entity does not exceed \$3 million. You must include the stamp number of the CPA Society.

**Line 7(d)** - Indicate whether audited financial statements are included, as provided in Section 1061.15(a)(5)(A)(i) of the Internal Revenue Code, when the entity is a member of a group of related entities and the business volume of the entity is equal to or more than \$3 million. You must include the stamp number of the CPA Society.

**Line 8** - If the entity is not a member of a group of related entities, indicate if the volume of business of the entity is equal to or more than \$3 million but less than \$10 million. If so, indicate whether you are including the required reports with this return.

**Line 8(a)** - Indicate whether audited financial statements or an agreed-upon procedures report signed by a CPA licensed in Puerto Rico is included, as provided in Section 1061.15(a)(3) of the Internal Revenue Code. You must include the stamp number of the CPA Society.

**Line 24** - Indicate if you claimed expenses related to services provided by nonresidents of Puerto Rico. If the answer is "Yes", you must indicate the total (100%) of said expenses on the line provided for this purpose in this question.

**Line 27** - If the entity is filing a return for a period of less than twelve months as a result of a change in the accounting period, indicate if the entity requested to change the accounting period. You must include the date of request and the date of approval. Also, you must submit as evidence a copy of the Administrative Determination issued by the Department approving the change in the accounting period.

**Line 28** - Indicate if you report the results of the operations of a Disregarded Entity.

In general terms, a Disregarded Entity is a company or organization whose existence is omitted as a separate entity from its owner only for purposes of computing the income tax established in Subtitle A of the Internal Revenue Code. Section 1010.01(a)(3) of the Internal Revenue Code clarifies that this treatment is an election exclusively for limited liability companies with a single owner who is a citizen of the United States or a Puerto Rico resident alien individual. For these purposes, Section 1010.01(a)(41)(ii) of the Internal Revenue Code establishes that married couples under the community property regime are considered as a single owner for these purposes.

If you answered "Yes" in this question 28, you must submit along with the return a detail that provides the following information

for each entity for which the Disregarded Entity treatment has been chosen: (i) full name of the entity; (ii) employer identification number; and (iii) business volume. It will be necessary to indicate if the corporation owns the Disregarded Entity directly, and otherwise, it must provide the employer identification number of the direct owner of the entity that is interested in being treated as a Disregarded Entity.

Likewise, for the taxable year in which this election is exercised, the taxpayer will be required to submit as evidence a copy of Form AS 6045 of all entities for which the Disregarded Entity treatment has been chosen and are included in the corporation's return. Indicate in question 28(a) if you include Form AS 6045 with the return, because you are making an election with said return to be treated as a Disregarded Entity. Likewise, you must indicate in question 28(b) if for the taxable year in which this election is exercised, the entity has tax credits registered in the Tax Credits Manager and submit a detail if necessary.

In these cases, the Disregarded Entity will not have the obligation to file an income tax return and the corporation owner will be responsible for reporting on its return the items of income that were generated by the Disregarded Entity. The corporation will report the income on its return in the same nature in which it was received by the entity.

For additional information, refer to Administrative Determinations No. 22-10 of November 21, 2022 ("AD 22-10") and No. 23-01 of February 2, 2023 ("AD 23-01") and Internal Revenue Circular Letter No. 24-02 of January 30, 2024 ("IR CL 24-02").

**Line 30** - Exempt businesses that have a decree granted under the Incentives Code will have the option to choose the specific tax years to be covered under their decrees regarding their exempt income, as long as they notify the Secretary of the DDEC and the Secretary of the Treasury. Such notification must be completed no later than the deadline to file the income tax return for said taxable year, including extensions.

**Line 31** - Indicate if the taxpayer was subject to the provisions of Act 54-2010 and chose to transition its business activities under a tax exemption decree, according to the provisions of Act 52-2022.

**It is important to point out that no question must be left without answering. In case that any question is not applicable, you must check "N/A".**

#### RETURN OF THE INCOME TAX RETURN FOR NOT BEING COMPLETED IN ALL ITS PARTS

The return must be completed in all of its parts. Therefore, 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 Unappropriated Retained Earnings per Books must be detailed. **Returns that do not comply with this requirement will be considered as not filed.**



## INSTRUCTIONS TO COMPLETE THE SCHEDULES

### SCHEDULE A INCENTIVES - 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 18.5% of said net income, but not less than \$500.**

However, corporations with volume of business equal to or more than ten million dollar (\$10,000,000) will be subject to a tax rate of 23%.

#### 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) pass-through entities; (3) registered investment companies taxable under the provisions of Subchapter B of Chapter 11 of Subtitle A of the Internal Revenue Code; (4) corporations operating under Act No. 8 of January 24, 1987 or under any other similar act, but only on the income derived from its exempt operations; (5) exempt real estate investment trusts; (6) corporations under the provisions of Tourism Acts; (7) bona fide farmers; and (8) employees-owned special corporations and ordinary and extraordinary members.

The taxpayer must complete a separate Schedule A Incentives for each Schedule L or M Incentives that is included as part of the return. A relation will be made between the sequence number of this Schedule A Incentives and the reference that is entered on the Schedule for which it is being completed. Therefore, the return may be filed with more than one Schedule A Incentives.

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

**Line 1** - Use lines 1(a) through 1(d) to compute the net income (or loss) subject to alternative minimum tax without considering the net operating loss from previous years, excluding the income subject to preferential tax rates that you have elected to pay taxes at the corresponding preferential rate and the distributable share in the adjustment of pass-through entities. Follow the detailed instructions provided on the schedule.

**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 other hand, 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 determine your regular tax, compute 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 allowed as a deduction attributable to interest income derived from exempt obligations, irrespective of the date of its acquisition.

This allocation will be made based on the average balance ratio of the institution assets. The adjustment does not apply to exempt obligations related to mortgage loans granted or guaranteed prior to September 1, 1987 by the Government of Puerto Rico, its agencies, municipalities and instrumentalities, which interests 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 \$10 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 states, territories, 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 Internal Revenue Code.



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

**Line 9** - Enter the total amount received as dividends or profits from domestic corporations and partnerships 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 tourism development exempt income, as defined in the Puerto Rico Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993. Enter also rental income from a new construction property or a qualified residential property pursuant to the provisions of Act 132-2010 or the rent income under the rental housing program for the elderly with low income according with the provisions of Act 165-1996, as amended.

**Line 11** - Enter any 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 20% or applicable rate under special legislation (lines 8(a) and 8(b), Part VII of Schedule D Corporation, as applicable) and any other income taxed at preferential rate. As general rule, this amount will be the same as the amount included on line 1(b), Part I of this Schedule.

**Line 14** - Enter the amount of the capital gain that does not exceed the total aggregate that you have invested in an eligible opportunity fund.

In the case of a gain derived from the sale or exchange of a capital asset between a taxpayer and an unrelated person, at the taxpayer's election, their gross income for a taxable year will not include the amount of such gain that does not exceed the total aggregate that **such taxpayer invests in an eligible opportunity fund** within 180 days counted from the day of such sale or exchange.

For purposes of the alternative minimum tax, the total capital gain not included according with the preceding paragraph, will not be part of the "adjusted net income per books".

**Line 15** - Enter the total amount of exempt income which exemption has been granted by special acts. The taxpayer must include with the return a detail that includes the type of exemption and legislation granting the same as required on line 19 of Schedule IE Corporation.

**Line 18** - Subtract line 3 from line 17 (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 21** - Enter on this line the total net operating losses accumulated up to taxable year 2019 for purposes of the alternative

minimum tax, as determined on Schedule G Incentives, Part II, line 10, Column E. Include such schedule with the return.

The amount of the loss to be claimed on this line cannot exceed 70% of the alternative minimum net income determined on line 20 of this Part III.

**Line 23** - Enter on this line the total loss for taxable year 2020 related to COVID-19 under the provisions of Act 52-2020 for purposes of the alternative minimum tax, as determined on Schedule G Incentives, Part II, line 11, Column E. Include such Schedule with the return.

**Line 25** - Enter on this line the total amount of accumulated net operating loss after taxable year 2020 for purpose of the alternative minimum tax, as determined in Schedule G Incentives, Part II, line 14, Column E. Include such schedule with the return.

The total amount of loss to be claimed on this line cannot exceed 70% of the net alternative minimum income determined on line 20 of this Part III.

**Line 27** - 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 no 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 26	_____
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)	_____

If two or more Schedules A Incentives are completed, the sum of the amount entered on line 27 of all schedules completed must not exceed \$50,000.

In the event that the sum of the amounts entered on line 26 is equal to or more than \$700,000, line 27 must be zero.

### PART IV - COMPUTATION OF THE ALTERNATIVE MINIMUM CREDIT FOR FOREIGN TAXES PAID

**Line 29** - If the income on line 28 is zero and the taxpayer claims the benefits of the exemption for young entrepreneurs (Act 135-2014) on its Schedule L Incentives, then you must select the NA option and enter zero on this line. Likewise, zero will be entered and option N/A will be selected if the taxpayer reports income as an international banking entity or a registered investment company.

**Line 30** - Enter on this line the Alternative Minimum Net Income before the net operating loss (amount reported on line 20).

**Line 31** – If line 20 is \$500,000 or less, the exempt amount is \$50,000. If line 20 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 33** - This line will only be available for returns in which a Schedule C Corporation is included.

**Line 36** - Determine your credit for foreign taxes paid according to the Internal Revenue Code. Use the formula provided and adjust the net income by the adjustment items specified in such 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 source 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 29) 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 29 through 36. **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 THE ALTERNATIVE MINIMUM TAX**

**Line 37** – Enter on this line the amount that results after subtracting line 36 from line 29, Part IV of this Schedule.

**Line 38** – Enter on this line the amount that results after subtracting line 6 from line 9, Part II of Schedule L Incentives or line 3 less line 6, Part II of Schedule M Incentives, as applicable.

**Line 39** – Enter on this line the total alternative minimum tax. The total alternative minimum tax will be the difference of line 37 less line 38. In case that line 38 exceeds the amount of line 37, the taxpayer must enter zero on this line. If line 38 is less, in addition to enter the difference on this line you must enter this amount on Schedule L Incentives, Part II, line 11 or Schedule M Incentives, Part II, line 8, as applicable.

#### **PART VI – COMPUTATION OF ALTERNATIVE MINIMUM CREDIT**

Use this part to determine the amount of credit for alternative minimum tax paid in excess of the regular tax 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.

**Line 1**- Enter the excess of the regular tax over the alternative minimum tax determined in the current year. The amount to be included will be the difference between lines 38 and 37, Part V of this schedule. If the alternative minimum tax determined on

line 37 is more than the regular tax determined on line 38, enter zero and do not continue with the schedule.

**Line 2** - On this line compute the alternative minimum tax credit limitation to be claimed in the return. The amount to be claimed as credit cannot exceed 25% of the excess of the regular tax over the alternative minimum tax determined for the current year.

**Line 3** – Enter on this line the available balance of the alternative minimum tax paid in previous years not claimed as credits, as determined on line 11, Column C, Part VII of this schedule. To compute the alternative minimum tax credit is necessary to complete Part VII of Schedule A Incentives, which provides the detail of the excess of the alternative minimum tax paid by the taxpayer in previous years and that is available to be claimed as credit in the current year, subject to the limitations established by the Internal Revenue Code.

**Line 4** – Enter the smaller between the amounts determined on lines 2 and 3. Transfer this amount to Schedule L Incentives, Part II, line 15 or Schedule M Incentives, Part II, line 11, as applicable.

**If line 3 exceeds line 2, the balance will be carried forward to future years.**

#### **PART VII – DETERMINATION OF THE AMOUNT OF ALTERNATIVE MINIMUM TAX PAID IN PRIOR YEARS NOT CLAIMED AS CREDIT**

Use this part to determine the alternative minimum tax paid in previous years, date of origin and amounts used, including the taxable year in which it was claimed as credit.

It is necessary to complete this detail in order to proceed with the alternative minimum tax credit computation in Part VI of this schedule.

#### **SCHEDULE B INCENTIVES - RECAPTURE OF CREDITS CLAIMED IN EXCESS, OTHER PAYMENTS AND WITHHOLDINGS**

Use this schedule to determine the recapture of credits for investment and for donation of a conservation easement or eligible land claimed in excess, 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 credit for investment or donation of a conservation easement or eligible land 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 that 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 the Investment in Solid Waste Reduction, Disposal and/or Treatment Facilities (Act 159-2011, as amended), Capital Investment Fund Act (Act No. 3 of October 6, 1987, as amended), Special Act for the Creation of the Theatrical District of Santurce (Act 178-2000, as

amended), 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), Puerto Rico Conservation Easement Act (Act 183-2001, as amended), Economic Incentives for the Development of Puerto Rico Act (Act 73-2008, as amended) and Puerto Rico Green Energy Incentives Act (Act 83-2010, 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 109-2001 (business closing operations), if any unit or business is withdrawn from the program, ceases its operations or does not comply with any of the requirements provided by the corresponding act 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 the act or as follows, as applicable:

$$\begin{array}{rcl} \text{Income Tax} & & \text{Total investment} \\ \text{Owed} = & \text{credit claimed} & \times \text{Balance of the} \\ & \text{per unit or business} & \text{10 year period} \\ & & \text{10} \end{array}$$

In case of owners of a levied property by a conservation easement or the donors, 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 provisions 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. Transfer the resulting amount to Schedule J Incentives, Part III, line 2, to Schedule K Incentives, Part III, line 3, to Schedule L Incentives, Part II, line 14 or to Schedule M Incentives, Part II, line 10, as applicable. If part of the excess was paid in the previous year, enter the balance owed.

**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 - OTHER PAYMENTS AND WITHHOLDINGS**

Enter on lines 1 to 8 the tax withheld or paid on the income items specified on said lines.

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

**Line 3** - If you are filing an amended return, enter on this line the amount paid to cover the tax determined in the original return, which was included with the return at the time of filing or which was made later.

**Line 4** - Include 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 at source on payments for services rendered. To claim this credit, you must submit Form 480.6SP. If you do not have it, you must provide an Affidavit indicating the name, address, employer identification number and telephone number of the person who made the payment or deposit, the total deposits and the tax withheld. If you have a fiscal year, the credit for the amount withheld on Forms 480.6SP will be claimed on the return according to the amounts actually withheld during your fiscal year. In these cases, you must include, along with your return, an schedule detailing the following information about each of the Forms 480.6SP for which you claim credit for tax withheld: (1) taxable year as indicated in Form 480.6SP, (2) employer identification number of the withholding agent, (3) name of the withholding agent, (4) control number of Form 480.6SP, (5) electronic filing confirmation number of Form 480.6SP, (6) total amount withheld according to Form 480.6SP, and (7) amount withheld claimed in the current taxable year return.

**Line 6** - Enter the tax withheld at source on the distributable share of pass-through entities as reported on the Informative Return - Pass-Through Entity (Form 480.60 EC). You must submit this form with your return.

**Line 8** - Enter the total of other payments and withholdings not included on the previous lines. Group, as applicable, those reported in an Informative Return, those not reported in an





Informative Return, the tax withheld at source on behalf of Disregarded Entities and the estimated tax payments made on behalf of Disregarded Entities for the taxable year.

On line 8(a) provide the required information from the corresponding Informative Return (i.e. Form 480.6B). On the other hand, if line 8(b) includes payments and withholdings for different concepts, you must include with your return a detail indicating the nature of each payment that was subject to withholding and the withholding included on this line.

Line 8(c) will be available for those taxpayers that include in their return the operations of at least one Disregarded Entity. You must enter the detail of the informative return received by the Disregarded Entity which withholding is claimed as part of this return. It is important to point out that the information of who receives the payment that is presented in the informative return corresponds to the demographic information that is included in the detail of question 28 of the Questionnaire of Part VII of the return.

Line 8(d) will be available for those taxpayers that include in their return the operations of at least one Disregarded Entity. You must enter the detail of each estimated tax installment made by the Disregarded Entity and that is claimed as part of this return. It is important to point out the information included in the required detail corresponds to the demographic information included in the detail of question 28 of the Questionnaire of Part VII of the return.

Keep for your records any informative return that supports the withholding claimed on this line.

### SCHEDULE B1 INCENTIVES - TAX CREDITS FOR BUSINESSES WITH TAX EXEMPTION DECREES

Use this schedule to determine the tax credits.

The taxpayer must complete a separate Schedule B1 Incentives for each schedule on which tax credits are claimed on this return. A relation will be made between the sequence number of this Schedule B1 Incentives and the reference that is entered on the Schedule for which it is being completed. Therefore, the return may be filed with more than one Schedule B1 Incentives.

#### PART I - TAX CREDITS PRE TAX CREDITS MANAGER

**Use this Part to claim only tax credits generated or purchased that are considered Pre Tax Credits Manager. The Post Tax Credits Manager credits are claimed in Part II of this schedule.**

Act 52 of June 30, 2022 ("Act 52-2022") added Section 1051.16 to the Internal Revenue Code to authorize the Secretary to create the Tax Credits Manager ("TCM") as part of the Department's electronic system. In general terms, the TCM is a tool that, on one hand allows the Department to manage and supervise the tax credits and, on the other hand, allows taxpayers to carry out all transactions related to their tax credits. Pursuant to Administrative Determination No. 22-11 ("AD 22-11"), issued by the Department on December 22, 2022, the TCM implementation date for purposes of determining the Pre TCM and Post TCM Credits, was January 1, 2023.

A Pre TCM Credit will be considered: (1) any tax credit generated in an income tax return corresponding to taxable years beginning before January 1, 2023, including any

carryover balance from previous years and; (2) all tax credit, including any carryover balance from previous years, granted by administrative determination or certification issued by any Regulatory Agency, as such term is defined in Section 1051.16(b)(3) of the Internal Revenue Code, which issuance date is prior to January 1, 2023. In the case of Credits for Investment in Research and Development Activities, those registered in the Integrated Tax Credit Portal (CCI Portal) as of January 18, 2023 will also be considered Pre TCM Credits. **Pre TCM Credits will not be registered in the TCM.**

The credits provided below may be claimed according to the rules of use established in the special act under which they were granted and the applicable provisions of the Internal Revenue Code. However, the Pre TCM credits may be claimed during a period of three (3) taxable years after the date of implementation of the TCM ("Transition Period"). Any available and not used balance of Pre TCM Credits at the end of the Transition Period, may not be claimed or carried forward to subsequent taxable years.

As established in AD 22-11, the first taxable year of the Transition Period is taxable year 2023, whereby Pre TCM Credits may be claimed until taxable year 2025. Beginning in taxable year 2026, only Post TCM Credits can be claimed. During the Transition Period and when the act under which the credit was granted allows it, the holder may sell or assign the Pre TCM Credits and the buyer or assignee will be subject to the same limitations applicable to the seller on said Pre TCM Credits, as established in Section 1051.16 of the Internal Revenue Code and AD 22-11.

On the other hand, Pre TCM Credits that have been generated or acquired by a Disregarded Entity during the taxable year for which an election to be treated as such is effective, may be claimed by the owner on their return. It should be noted that in the case of Pre TCM Credits, they will be subject to the provisions of Section 1051.16(h) of the Internal Revenue Code. For each of the lines in this part where credits generated or acquired by a Disregarded Entity are included, submit detail and include the corresponding evidence. Refer to Internal Revenue Circular Letter No. 24-02 of January 30, 2024 ("IR CL 24-02") for additional information related to the rules applicable to limited liability companies that elect the disregarded entity treatment.

**For additional information about the TCM, refer to AD 22-11, Internal Revenue Circular Letters No. 23-02 ("IR CL 23-02"), No. 23-14 ("IR CL 23-14"), No. 24-02 and to the next publications to be issued by the Department.**

It is important to point out that credits under Section 1051.12(a)(4), (5) and (7) of the Internal Revenue Code will be subject to the limitation of use provided in Section 1051.13 of the Internal Revenue Code.

Enter in Column A the balance available of Pre TCM credits, in Column B the amount of Pre TCM credits that will be claimed on this return, and in Column C the excess, if any, of Pre TCM credits to be carried forward to subsequent years.

#### Line 2 - Credit for investment in machinery and equipment for the generation and use of energy

Any exempt business with a tax exemption decree may claim a credit against the income tax of 50% of its eligible investment made after May 28, 2008. In case of an eligible investment

made by an exempt business to generate energy for its own consumption, the credit shall not exceed 25% of the income tax. Nevertheless, in order to qualify as an eligible investment, such business shall request a certification from the Energy Affairs Administration (EAA) regarding the investment made during the corresponding period.

On the other hand, an eligible investment made by an exempt business engaged in the production, whether on a commercial scale or not, of energy for consumption in Puerto Rico, through the use of natural gas or coal, or through the use of renewable sources (businesses under Section 2(d)(1)(H) of Act 73-2008 or a similar provision under previous incentives acts) in order to establish or make a substantial expansion in its energy generating operations, the maximum amount of credit that can be granted will be eight million dollars (\$8,000,000) per establishment or substantial expansion. In the case of an additional eligible investment made by the same exempt business, such maximum amount will be reduced by the amount of credit claimed by the exempt business in a previous taxable year regarding any previous eligible investment.

Every business under these provisions must request a preliminary certification from the EAA in which there shall be stated that the machinery and equipment that the exempt business intends to acquire meets all the regulations and conditions established and the estimated total of the eligible investment. After the business is established or the substantial expansion is completed, the business shall request a final certification from the EAA.

The credit for businesses under **Section 2(d)(1)(H) of Act 73-2008 or a similar provision of previous incentives acts**, will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 73-2008 and its corresponding regulations. You must include with the return copy of the determination, along with the information required in the determination letter.

For purposes of this credit, **eligible investment** means, in general terms, the amount of cash used for the acquisition of machinery and equipment to generate energy from alternate sources to fuel oil.

After the third year that Act 73-2008 is in effect, only purchases of machinery and equipment to generate energy from renewable sources shall qualify for the credit.

For additional information, refer to Section 5(d) of Act 73-2008 and the corresponding regulations.

### **Line 3 - Credit for purchase of products manufactured in Puerto Rico**

Attach a schedule indicating, of each manufacturing business from which you acquired the products, the name, employer identification number, manufacturing business identification number and the value (cost) of each of these purchases. In case of manufacturing businesses that have a tax exemption decree, the manufacturing business identification number will be the decree number. If no decree, enter the number assigned by the Industrial Development Company. The eligible business must keep the necessary records that show the value of the purchases for which the credit is claimed. Do not include purchases of products that have been manufactured in Puerto

Rico by people related to the eligible business.

An eligible business, as defined by Act 73-2008, can claim a tax credit against the income tax for purchases of products manufactured in Puerto Rico, including parts and accessories, equal to 25% of purchases of such products during the taxable year in which the credit is claimed, or 35% if the products are made from recycled materials or with raw materials from recycled materials. This credit may be claimed up to a maximum of 50% of the income tax determined.

This credit will not be available, nor will any credit be granted to those businesses that have claimed any special deduction or credit of a similar nature under any other incentives act.

Please refer to Internal Revenue Circular Letter No. 11-01 ("IR CL11-01") for additional instructions on the management of tax credits granted under Act 73-2008.

For additional details, refer to Act 135-1997, as amended, Act 73-2008, as amended, Act 83-2010, as amended, or Act 60-2019, as amended.

### **Line 4 - Technology transfer investment credit**

Any exempt business with a tax exemption decree may claim a credit only against the income tax equal to 12% of payments made to corporations, partnerships or non-resident persons, for the use or privilege of use intangible property in Puerto Rico in its exempt operation, provided that the income from such payments is from Puerto Rico sources.

In the case of exempt businesses subject to the alternate tax provided by Section 3(b)(4) of Act 73-2008, the credit applicable will be 2% of the payments made.

The credit generated and not used during the year in which it was originated may be carried forward for a period that does not exceed eight taxable years from the close of the taxable year in which the credit originated.

Please refer to IR CL 11-01 for additional instructions on the management of tax credits granted under Act 73-2008.

For additional details, refer to Section 5(f) of Act 73-2008, as amended, Article 2.11(d) of Act 83-2010, as amended, or Section 3030.01 of Act 60-2019, as amended.

### **Line 5 - Credit for investment in research and development activities**

Any exempt business with a tax exemption decree may claim a credit for investment equal to 50% of the special eligible investment made in Puerto Rico after of the approval of Act 73-2008. The credit may be applied, at the option of the exempt business, against the income tax of the business and/or against the operating expenses of the business related to electric power, water and sewage.

It is important to point out that the Department of the Treasury issued Tax Policy Informative Bulletin No. 16-12 ("IB 16-12") to notify that in order for the exempt business to claim this credit against the operating costs related to the electric power, water and sewage, the Department must have issued a certification establishing that it has the funds to cover such operating costs, according to Act 22-2016.



The credit may be claimed in two or more installments: up to 50% of said credit may be claimed in the year the eligible investment is made and the balance in subsequent years until totally used, provided that such limitation shall not apply to operating expenses of said exempt business related to electric power, water and sewage.

Every exempt business that claims a credit under these provisions must request a certificate issued annually by the Puerto Rico Industrial Development Company which certifies the activities of a research and development project conducted in Puerto Rico that are eligible to request the tax credit provided in Section 5(c) of Act 73-2008. Said certification must be included with the return as a requirement to grant the credit claimed.

The term eligible special investment means the amount of cash used by the exempt business with a decree issued under any Puerto Rico incentives act, or any entity affiliated to said exempt business in research and development activities, including operating expenses, clinical trials, toxicology tests, infrastructure, renewable energy or intellectual property.

Among the operating expenses the following will be included: payroll, including fringe benefits and professional services; insurance; tax, municipal license and licenses payments; rent; repair and maintenance expenses; net expense of electric power, water and telephone; and materials.

Please refer to IR CL 11-01 for additional instructions on the management of tax credits granted under Act 73-2008.

For additional details, refer to Section 5(c) of Act 73-2008, as amended, Article 2.11(c) of Act 83-2010, as amended, or Section 3030.01 of Act 60-2019, as amended.

#### **Line 6 - Credit for industrial investment**

Any investor may claim a credit for industrial investment equal to 50% of its investment in an exempt business with a decree granted under the incentives acts, that is in the process of closing operations in Puerto Rico, to continue operating it, or for investment in an exempt business considered as a small or medium business, among other requirements.

The maximum amount of credit for this concept shall not exceed eight million dollars (\$8,000,000) per exempt business with a decree granted under Act 73-2008.

This credit will be subject to the taxpayer's request and the approval by the Secretary of the Treasury of an administrative determination under Act 73-2008 and the corresponding regulations. You must include with the return a copy of the administrative determination, along with the information required in such determination.

That part not used in the year in which the investment was made may be carried over to subsequent years until exhausted.

Please refer to IR CL 11-01 for additional instructions on the management of tax credits granted under Act 73-2008.

For additional details, refer to Act 73-2008 or Act 135-1997 and its corresponding regulations.

#### **Line 7 - Credit for contributions to former governor's foundations**

A credit equivalent to 100% of the amount contributed during

the taxable year to former governors' foundations is granted for its 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 for the construction, operation and all necessary expenses for the true fulfillment of the purposes of Act 290-2000 and Section 1051.10 of the Internal Revenue Code. The tax credits to be granted cannot exceed \$500,000 in the aggregate for any taxable 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; that the foundation is operationally active upon receipt of the contribution; that it has the Certificate of Tax Exemption issued by the Department of the Treasury; and that it complies with the annual report that is submitted to the Commission of Legislative Funds for Community Impact (as provided by Section 1051.10(b) of the Internal Revenue Code). 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.

For additional details, refer to Administrative Determination No. 19-09 of December 28, 2019.

#### **Line 8 - Credit for construction investment in urban centers**

Enter the amount of credit for construction investment in urban centers. Every person that carries out a construction or improvement project in a urban center, as provided by law, may 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 the administrative determination, along with the information required in such determination.

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, as well as the amount of the credit and the amounts claimed in previous years.

For additional details, refer to Act 212-2002, as amended, and Regulation No. 7777 of November 30, 2009.

#### **Line 9 - Credit for Puerto Rico conservation easement**

Enter the amount of credit for the establishment and donation of an eligible conservation easement, equal to 50% of the value of the eligible conservation easement.

In order to claim this credit you must include the certification issued by the Secretary.

For additional details, refer to Act 183-2001, as amended, and Regulation No. 8871 of December 8, 2016.

**Line 10 - Credit for investment in rental housing to the elderly**

Enter the amount of credit for investment in the acquisition, construction or rehabilitation of rental housing to the elderly.

Act 140-2001, as amended by Act 77-2015 in its Chapter 2, establishes that every owner of an affordable housing project for rent to the elderly will qualify for a tax credit. The petitioner must file an application with the Housing Financing Authority.

The tax credit will be subject to the taxpayer's request and the approval by the Secretary of an administrative determination. You must include with the return copy of the Administrative Determination issued by the Department.

**Line 11 - Credit for investment in film project**

Enter the amount of credit to be claimed for the investment in a Film Entity dedicated to a Film Project under Act 27-2011 or under Act 60-2019.

The taxpayer must include with the return copy of the certification issued by the DDEC or the Administrative Determination issued by the Department.

**Line 12 - Credit for investment in housing infrastructure**

Enter the amount of credit for investment in housing infrastructure recommended by the designated officials of the Housing Department and the Department.

Act 98-2001, as amended, grants a credit for infrastructure investment to the developers of housing projects. It will be subject to the taxpayer's request and the approval by the Secretary of an administrative determination under Act 98-2001 and the applicable regulations. You must include with the return copy of the Administrative Determination issued by the Department.

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

**Line 13 - Credit for investment in infrastructure project for film projects**

Enter the amount of credit to be claimed for the investment in a Film Entity dedicated to an Infrastructure Project for a film project under Act 27-2011.

You must include as evidence a copy of the certification issued by the DDEC or the Administrative Determination issued by the Department.

**Line 14 - Credit for investment in opportunity zones**

Enter the amount of credit to be claimed for your eligible investment in opportunity zones. The credit will be equal to the eligible percentage of your eligible investment and may be taken as indicated below:

- **If the eligible investment is made in the year in which the exempt business completed the total construction of the Priority Project or when the exempt business begins operations (if the priority project does not require construction):**

The credit will be taken in four (4) installments: 25% in the year in which the exempt business completed construction

or when the exempt business began operations, whichever is later, and 25% of the balance of said credit in the next three (3) subsequent years.

- **If the eligible investment is made after the construction of the Priority Project is completed or the exempt business has started operations:**

The credit will be taken in four (4) installments: 25% in the year in which a significant expansion has been made in the real property constructed or in the exempt business, as the case may be, and according to the Secretary of Economic Development defines said term by regulation, administrative determination, circular letter or informative bulletin, for these purposes, and 25% of the balance of said credit in the next three (3) subsequent years.

Every eligible investment made during the investor's taxable year will qualify for this tax credit, in that taxable year, as long as it meets all the requirements.

This credit may be applied against any determined tax liability of the investor, according to Subtitle A of the Internal Revenue Code, including the alternative minimum tax applicable to corporations.

The portion of the credit not used in a taxable year may be carried over to subsequent taxable years, until totally used.

The taxpayer must include with its return copy of the Administrative Determination issued by the DDEC granting said credit.

The taxpayer must also include with the return of each year in which the credit is claimed, a schedule detailing the year in which the credit is available to be used, taxable years during which it has been claimed, the expiration date of the credit, the total amount of the credit and the amounts claimed in previous years.

For additional details, refer to Act 60-2019.

**Line 16 - Credit for tourism investment - Alternate credit**

Every investor can claim a tax credit for tourism investment equal to 30% or 40% of the total cost of the tourism project with respect to the tax credits granted in Section 3010.01(a)(1) of the Incentives Code, as determined by the DEDC.

In the event that the credit is calculated based on 30% of the cost of the project, the credit may be taken in four installments. It may be claimed up to 10% in the year in which the exempt business obtained the necessary financing for the total construction of the tourism project, and the balance in three installments: the first third part of the balance in the year in which the exempt business receives its first guest who pays for his/her stay and the remaining balance in the following two years in equal parts.

If the credit is granted based on 40% of the investment, it will be taken in three installments: the first third part of the tax credit in the second year after the exempt business began its operations and the remaining balance in the two subsequent years in equal parts.

Any credit for Eligible Tourism Investment not used in a taxable year may be carried forward to subsequent taxable years until

totally used, subject to the provisions of subsection (h) of Section 1051.16 of the Internal Revenue Code.

The taxpayer must include with its return a copy of the Administrative Determination issued by the DDEC granting the aforementioned credit.

For additional details, refer to Act 74-2010 or Section 3010.01 of the Incentives Code.

#### **Line 17 - Credit for tourism investment - Regular credit**

Every investor may claim a tax credit for tourism investment equal to 50% of its eligible investment.

The credit may be claimed in two installments: the first half in the year in which the exempt business obtained the financing for the total construction of the tourism project, and the balance of such credit in the following years.

To claim this credit you must include with your return Schedules Q and Q1 duly completed.

A copy of the notification through sworn declaration must be attached with the return, where the distribution of the credit is reported. You must also include a copy of the Certification issued by the relevant agencies.

For additional details, refer to Act 74-2010, as amended.

#### **Line 18 - Credit for job creation**

Every exempt business beginning operations after July 1, 2008, will be entitled to claim a credit only against the industrial development income tax, for each job created during its first year of operations. The amount of the credit will depend on the industrial development zone where the exempt business operations are located, as follows:

<u>Area</u>	<u>Credit</u>
Vieques and Culebra	\$5,000
Low Industrial Development Zone	\$2,500
Intermediate Industrial Development Zone	\$1,000
High Industrial Development Zone	\$0

The generated credit not used during the first year of operations may be carried forward for a period that shall not exceed four years beginning in the first taxable year in which the exempt business generates net income.

Please refer to IR CL 11-01 for additional instructions on the management of tax credits granted under Act 73-2008.

For additional information, refer to Section 5(b) of Act 73-2008 or Act 83-2010.

## **PART II - TAX CREDITS POST TAX CREDITS MANAGER**

**Use this part to claim only tax credits that are considered Post TCM. This includes credits acquired through purchase and that are considered Post TCM.**

Section 1051.16(b)(1) of the Internal Revenue Code defines the term *Post TCM Credit* as any tax credit granted under said Code, the Puerto Rico Incentives Code, Previous Incentives Acts, or any other special act beginning on the date of

implementation of the TCM. As established in AD 22-11, the implementation date of the TCM was January 1, 2023.

Subsection (d) of Section 1051.16 provides that it will be an essential requirement to be entitled to claim any Post TCM credit, that the same must be registered in the TCM. **Post TCM credits that are not registered in the TCM cannot be claimed against the tax liability.** For detailed information on the process of registering tax credits in the TCM, refer to IR CL 23-02.

Include in this Part the tax credits granted beginning on the date of implementation of the TCM and that are duly registered. **The amount of credit that must be included on the corresponding line must be the exact amount you are claiming against the tax in the return, net of all limitations, instead of the total amount of credit available.** This is because the amount entered in this part is the amount by which the credit available in the TCM will be reduced.

As an example, the taxpayer has a Post TCM credit of \$10,000 duly registered in the TCM and the tax determined on the return is \$8,000. Assuming that the taxpayer does not have any other tax credit, you must enter \$8,000 on the corresponding line. Once this amount is claimed on the return, the total credit available in the TCM of \$10,000 will be reduced to \$2,000 (that is, \$10,000 less \$8,000 of credit claimed on the return).

The credits provided in this Part may be claimed subject to the rules of use established by the special act under which they were granted and the applicable provisions under the Internal Revenue Code. When the act under which the tax credit was granted allows it, the taxpayer may transfer, sell, or assign the tax credit partially or totally. Once the legal transfer of the tax credits is executed, the seller must initiate the transaction notification process through the TCM and the buyer must ensure that the transaction is completed. This is necessary so that the tax credits may be reflected under the account of the new credit holder, that they may be included in this part and claimed against the income tax.

On the other hand, Post TCM Credits that have been generated or acquired by a Pass-Through Entity or a Disregarded Entity may be claimed by the owner on its return. In the case of Pass-Through Entities, the Post TCM Credits generated or acquired by them, must be transferred to their owners in the TCM. Likewise, and before being able to claim the credit on the return, the owner must accept the transfer of the credits in the TCM so that they are reflected as available, in the "Access my Tax Credits" link in its income tax account. Refer to IR CL 23-14 for details on the process of transferring Post TCM Credits from a pass-through entity to its owners.

With respect to the Post TCM Credits generated or acquired by a Disregarded Entity during the taxable year for which an election to be treated as such is effective, the Department will authorize the transfer of the Post TCM Credits registered in the TCM from the Disregarded Entity's account in SURI to the owner's account. The Disregarded Entity must request the transfer by sending an email to [mcc@hacienda.pr.gov](mailto:mcc@hacienda.pr.gov). In said request you must include all the details of the transaction, including the information of the Disregarded Entity, the owner, the tax credit, and the amount requested to be transferred.

To know the percentages, limitations, possibility of transfer and/or carryover of the credits listed in this Part, you must refer to the credit determination or certification that has been granted, the rules of use established in the special act under which the

credits were granted and the applicable provisions of the Internal Revenue Code.

**Any credit claimed in this Part that is not properly reflected in the taxpayer's TCM will be adjusted and the taxpayer will receive a Notice of Mathematical Error in accordance with the provisions of Section 6010.02(g) of the Internal Revenue Code.**

For additional information, refer to AD 22-11, IR CL 23-02, IR CL 23-14, IR CL 24-02, and upcoming publications to be issued by the Department.

If you have doubts or questions related to the operation of the TCM, please send an email to [mcc@hacienda.pr.gov](mailto:mcc@hacienda.pr.gov).

**SCHEDULE E – DEPRECIATION**

The taxpayer must complete a separate Schedule E for each schedule in which depreciation expenses are claimed on this return. A relation will be made between the sequence number of this Schedule E and the reference entered on the Schedule for which it is being completed. Therefore, the return may be filed with more than one Schedule E.

This Schedule must be completed by those taxpayers that are engaged in trade or business 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.

Enter in the space provided in the header (Schedule E No. \_\_\_\_), the number that corresponds to the schedule from the total number of Schedules E submitted with the return.

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 Internal Revenue 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 Internal Revenue Code requires you to make an option through a sworn statement to be filed no 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 Internal Revenue Code grants a deduction for accelerated depreciation in lieu of current depreciation. In order to be entitled to this deduction, the taxpayer is required to make an election with the return to use the accelerated depreciation method.

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 Internal Revenue Code and its regulations to determine who qualifies for the deduction under the flexible and accelerated depreciation methods and the requirements that must be met to be entitled to this deduction.**

**Line (d) – Amortization**

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

In the case of intangible property, other than goodwill, acquired by purchase or developed in taxable years after December 31, 2009, a deduction for amortization is granted, using the straight-line method and a useful life of fifteen (15) years or the useful life of such intangible property, whichever is less.

**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.

In the case of automobiles used by sellers, the amount of the depreciation deduction cannot exceed \$10,000 annually 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 its personal use.

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 vehicles under operating leases up to the limits indicated above. Do not include them as a deduction for rent, interests, motor vehicles expenses or any other item other than depreciation.

**Line (f) - Vehicles 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 for the lease of the automobile during the taxable year up to \$6,000 annually per car, up to a maximum of \$30,000 for the lifetime of the automobile. See Section 1033.07(a)(3)(D) of the Internal Revenue Code for the definition of a lease that is essentially equivalent to a purchase.

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

Enter on this line the amount of lease payments that are essentially equivalent to a purchase, subject to the limits previously indicated. Do not include the interest portion as part of the payments. **Include with your return Form 480.7D.**





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

**Include this Schedule with your return.**

### **SCHEDULE E1 - DEPRECIATION FOR BUSINESSES WITH VOLUME OF \$3,000,000 OR LESS**

The taxpayer must complete a separate Schedule E1 for each schedule in which depreciation expenses are claimed on this return. A relation will be made between the sequence number of this Schedule E1 and the reference entered on the Schedule for which it is being completed. Therefore, the return may be filed with more than one Schedule E1.

Use this Schedule to itemize the information related to depreciation expense in the case of corporations that during the taxable year have generated a business volume of \$3,000,000 or less.

The information of each of the properties for which the depreciation is claimed shall be provided. These are: computer systems; ground transportation (except automobiles); and machinery and equipment, furniture and fixtures, and any other fixed assets to be used in the industry or business. Also, you must fill in the oval provided in each section, as applicable, to make the election for this depreciation.

Enter in the space provided in the heading (Schedule E1 No. \_\_\_\_), the number that correspond to the schedule from the total amount of Schedule E1 submitted with the return.

On this schedule you must provide the following information:

- type of property;
- acquisition date;
- allowable cost or basis;
- depreciation claimed in previous years; and
- depreciation claimed in the current year.

#### **Line (a) - Computer systems (Section 1033.07(a)(1)(G))**

You may elect to deduct the total cost of the computer systems equipment and its installation in the year of acquisition or installation thereof. Equipment previously depreciated or acquired from a related person, does not qualify to accelerate the allowance of depreciation.

#### **Line (b) - Ground transportation equipment, except automobiles (Section 1033.07(a)(1)(H))**

You can determine the deduction for depreciation using a useful life of two (2) years for ground transportation equipment, except automobiles (as defined in Section 1033.07(a)(3)(B) of the Internal Revenue Code), and environmental conservation equipment.

#### **Line (c) - Machinery and equipment, furniture and fixtures, and any other fixed asset to be used in the industry or business (Section 1033.07(a)(1)(K))**

For taxable years beginning after December 31, 2018, you can determine the deduction for depreciation using a useful life of two (2) years for machinery and equipment, furniture and fixtures and any other fixed assets to be used in the industry or business, except real property, automobiles and property subject to the terms of lines (a) and (b) of this schedule.

Complete this Schedule only if you will elect to accelerate the

depreciation of the assets described previously on this Schedule. This option is irrevocable and you must consider that once you make the option, the total of the depreciation determined in the books over these assets will not be deductible to determine the net income subject to income tax in the returns of subsequent years.

**Submit this Schedule with the return.**

### **SCHEDULE EI INCENTIVES - OPERATIONS OF DISREGARDED ENTITIES**

If the corporation that is completing this form owns a Disregarded Entity, which does not have an exemption decree, will use this schedule to report the operations of such entity. You must complete a Schedule EI Incentives for each Disregarded Entity you own. In these cases the taxpayer must answer "Yes" to question 28 of the Questionnaire of Part VII of the return.

A Disregarded Entity is a company or organization whose existence is omitted as an entity separate from its owner only for purposes of computing the income tax established in Subtitle A of the Internal Revenue Code. In accordance with the provisions of Section 1010.01(a)(41) of the Internal Revenue Code, for purposes of the income tax, the Disregarded Entities do not are taxed, but their owners are obliged to report and pay taxes on income tax returns as if they had carried out said economic activity directly. The corporation will report on its return the income in the same nature in which it was received by the entity.

In addition to completing the schedule, you must submit along with the return a detail that provides the following information for each entity for which Disregarded Entity treatment has been chosen: (i) full name of the entity; (ii) employer identification number; and (iii) volume of business. It will be necessary to indicate whether the corporation owns the Disregarded Entity directly, and if not, you must provide the employer identification number of the direct owner of the entity that is interested to be treated as a Disregarded Entity. Likewise, the taxpayer will be required to submit as evidence the copy of Form AS 6045 of all entities for which the Disregarded Entity treatment has been chosen and is included in the return of the corporation.

**For additional information related to the Pass-Through Entities, refer to the Administrative Determinations No. 22-10 of November 21, 2022 ("AD 22-10") and No. 23-01 of February 2, 2023 ("AD 23-01").**

**For instructions on how to complete the parts of this schedule, refer to the General Instructions for Schedules J, K, L and M Incentives.**

### **SCHEDULE G INCENTIVES - DETAIL OF NET OPERATING LOSSES FROM PREVIOUS YEARS**

The taxpayer must complete a Schedule G Incentives separate for each schedule in which net operating losses from previous years are claimed. A relation will be made between the sequence number of this Schedule G Incentives and the reference that is entered on the Schedule for which it is completed. Therefore, the return may be filed with more than one Schedule G Incentives.

This Schedule must detail the net operating losses incurred in previous years and that are available to be claimed as deduction against the operating net income subject to regular tax and alternative minimum tax, subject to the limitations established by the Internal Revenue Code.



For each one of the incurred losses you must enter the year in which the loss was incurred, the amount of incurred loss, the amount used in previous years, any adjustment required by Section 1033.14 of the Internal Revenue Code, the amount available and its expiration date.

## **PART I - DETAIL OF NET OPERATING LOSSES FOR REGULAR TAX PURPOSES**

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

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

The amount of the deduction to be claimed on line 4, Part II of Schedule J Incentives, line 2, Part II of Schedule K Incentives, line 6, Part I of Schedule L Incentives and line 2, Part I of the Schedule M Incentives, as applicable, will be the smaller of the following:

- (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 established in Section 1033.14(d), for each one of the taxable years beginning before January 1, 2013,
- (2) the ninety (90) percent of the net operating income determined on line 3, Part II of Schedule J Incentives, line 1, Part I of Schedule K Incentives, line 3, Part I of Schedule L Incentives or line 1, Part I of Schedule M Incentives, as applicable.

## **PART II - DETAIL OF NET OPERATING LOSSES FOR ALTERNATIVE MINIMUM TAX PURPOSES**

In this part, detail the net operating losses available to be claimed as deduction against the alternative minimum net income computed on line 20, Part III of Schedule A Incentives. The amount of this deduction cannot exceed 70% of the alternative minimum net income determined without considering this deduction. Any excess net loss may be carried forward as established in the Internal Revenue Code.

Net losses can be used against subsequent year's income as follows:

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

**In the case of net losses incurred during taxable year 2020 and directly caused by the COVID-19 emergency, refer to the instructions of line 6, Part II of Schedule J Incentives.**

## **GENERAL INSTRUCTIONS FOR SCHEDULES J, K, L AND M INCENTIVES**

If an entity has exercised the election under Section 3(f) of Act No. 8 of 1987 or Section 6(f) of Act 135-1997, it must submit with the return copy of the sworn declaration with which it exercised such election.

### **PART V - SCHEDULE J INCENTIVES; PART IV - SCHEDULE K INCENTIVES; PART VI - SCHEDULE L INCENTIVES; AND PART III - SCHEDULE M INCENTIVES - GROSS PROFIT ON SALES OR PRODUCTION AND OTHER INCOME**

In this part you will determine your gross profit on sales of goods or products, services or other income, as applicable on each Schedule.

Detail in Part VIII of Schedule J Incentives the cost of goods sold or direct costs of production claimed on line 2 or 5, as applicable, of Part V. If you are completing Schedule K Incentives, detail the cost of goods sold or direct costs of production in Part VI and claim them in Part IV, line 2. If you are completing Schedule L Incentives, detail them in Part VIII and claim them in Part VI, line 2 or 5, as applicable. In case of Schedule M Incentives, detail these costs in Part V and claim them in Part III, line 2 or 7, as applicable. Check the applicable box to indicate the valuation method for your inventory at the beginning and end of the year.

To determine the gross profit margin percentage corresponding to the year 2023 in the case of income from the sale of goods or products or manufacture income, divide line 3 by line 1, line 6 by line 4, or line 8 by line 6, as applicable, of the Parts indicated in the previous paragraph. To determine the amount corresponding to the year 2022, use the data from the 2022 return.

Assets used in any activity that generates partially exempt income under Act No. 52 of 1983, Act No. 57 of 1963, Act No. 168 of 1968, Act No. 8 of 1987, Act 135-1997, Act 73-2008, Act 78-1993, Act 362-1999, Act 178-2000, Act 225-1995, Act 83-2010, Act 118-2010 or Act 20-2012 **cannot be depreciated under the flexible or accelerated depreciation method.**

### **PART VI - SCHEDULE J INCENTIVES; PART V - SCHEDULE K INCENTIVES; PART VII - SCHEDULE L INCENTIVES; AND PART IV - SCHEDULE M INCENTIVES - DEDUCTIONS AND NET OPERATING INCOME**

In this part you will enter the deductions related to your operations.

Following we provide information about some of these items:

#### **A. Deductions that must be reported on informative returns**

##### **Line 1 - Compensation to directors**

Enter on this line the total compensation paid to the corporation's directors during the year, including the total, if any, that has been determined in Part V of the return.

**Line 2 - Compensation to officers**

Enter on this line the total compensation paid to the corporation's officers during the year, including the total, if any, that have been determined in Part VI of the return.

**Line 3 - Salaries, commissions and bonuses to employees**

Enter on this line the total salaries, commissions and bonuses paid to employees of the corporation during the taxable year.

No deduction will be granted 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 has not been remitted to the Department of the Treasury.

On Schedules L and M Incentives, enter in the alternative minimum tax column, when applicable, the 125% of the deduction from salaries paid and reported in the withholding statements, as established in Section 1062.01(n)(2) of the Internal Revenue Code, corresponding to the taxable year for which this income tax return is filed.

**Line 4 - Salaries paid to young university students**

A private business employer can take a deduction of 150% for each young university student employed for at least 20 hours per week for 9 months of the taxable year or a minimum of 800 hours during the taxable year, as long as the hourly salary paid to such young university student is more than ten (10) dollars per hour and said salary is duly reported in a withholding statement. In the case of students coming from the internship program of the Department of the Treasury ("Programa de Pasantías del Departamento de Hacienda"), the deduction will be 200% if the requirement in the previous sentence is met.

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

If you qualify to claim this deduction, enter in the parenthesis provided on this line the total amount of salaries paid and reported on the withholding statements.

**Line 5 - Payments for services rendered in Puerto Rico**

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

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

**Line 6 - Payments for services rendered outside of Puerto Rico**

Enter on this line the total of professional services paid to service providers that were rendered outside of Puerto Rico.

To claim this deduction, the taxpayer must file at the Department of the Treasury the Informative Return - Payments to Nonresidents or for Services from Sources Outside of Puerto Rico (Form 480.6C).

**Line 7 - Services subcontracted**

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

**Line 8 - Lease, rent and fees paid**

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

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

Enter the amounts paid during the taxable year for property, contingency and public liability insurance (malpractice) directly related to the operation of the corporation's industry or business. For purposes of the alternative minimum tax on Schedules L and M Incentives, the deduction will be the one duly reported in the Optional Informative Return - Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7E) or in the Annual Return of Payments Received for Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services (Form 480.7F) received from the insurer.

**Line 10 - Telecommunication services**

Enter on this line the payments for telecommunication services, as defined in Section 4010.01(kk) of the Internal Revenue Code, directly related with your industry or business operation. For purposes of the alternative minimum tax on Schedules L and M Incentives, the deduction will be the one duly reported in a Form 480.7E, or in a Form 480.7F received from the provider.

**Line 11 - Internet and cable or satellite television services**

Enter on this line the payments for access to internet and cable or satellite television services directly related with your industry or business operation. For purposes of the alternative minimum tax on Schedules L and M Incentives, the deduction will be the one duly reported in a Form 480.7E, or in a Form 480.7F received from the provider.

**Line 12 - Bundles**

Enter on this line the payments made for a set or combination of services whose value cannot be segregated or assigned to each type of service received. For purposes of the alternative minimum tax on Schedules L and M Incentives, the deduction will be the one duly reported in a Form 480.7E, or in a Form 480.7F received from the provider.

**Line 13 - Advertising**

Enter on this line the amount paid for advertising, promotion, publicity and marketing directly related to the operation of your

industry or business. For purposes of the alternative minimum tax on Schedules L and M Incentives, the deduction will be the one duly reported in a Form 480.7E, or in a Form 480.7F received from the provider.

#### **Line 14 - Royalties**

Enter on this line the amount paid in exchange for the use or privilege of using an intangible, for example, patents, copyrights, goodwill, franchises, licenses or other similar property. They must be duly reported in a Form 480.6A.

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

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

#### **Line 16 - Professional associations fees and memberships paid for the benefit of the employee**

Enter on this line the amount paid to professional associations for membership and membership fees for the benefit of the employees as they are duly reported in Form 480.6A.

#### **Line 17 - Homeowners association fees**

Enter on this line the amount paid to resident associations or condominium owners for maintenance fees regarding the facilities used in the industry or business, as they are duly reported in Form 480.6A.

#### **Line 18 - Payments for judicial or extrajudicial indemnification**

Enter on this line the total payments made for compensation under a judgment issued by the Court or under an extrajudicial claim directly related to the operation of the industry or business and for which the withholding provided in Section 1062.02 of the Internal Revenue Code, as applicable, was made, remitted, and reported on Form 480.6B.

#### **Line 19 - Certain other expenses**

The total of those expense items for which there are no specific spaces provided in this part and that have been duly reported in an informative return will be admitted as a deduction. It is important that you keep for your records a schedule detailing such expenses.

#### **Line 20 of Schedule M Incentives - Deductions reported on the informative returns of the Disregarded Entities included in this return**

If, as part of the income from fully taxable operations, you report the results of the operations of a Disregarded Entity, include in this line the deductions that were reported in informative returns filed in the name of the Disregarded Entity, as determined in Schedule E Incentives, Part II, line 20. Include said schedule with the return.

#### **B. Deductions not reported on informative returns**

#### **Line 21 (Line 22 of Schedule M Incentives) - Interests on businesses debts**

Include in the corresponding space the amount paid for mortgage interests, interests paid in automobile financing lease and other interests, and include the total in the column.

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

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

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

#### **Line 22(b) (Line 23(b) of Schedule M Incentives) - Other taxes**

Submit a schedule detailing the excise taxes or other taxes paid. Payments made during the year for sales tax will not be included as part of this deduction.

#### **Line 22(d) (Line 23(d) of Schedule M Incentives) - Sales and use tax**

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

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

#### **Line 22(e) (Line 23(e) of Schedule M Incentives) - Special contribution for professional and advisory services under Act 48-2013, as amended**

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

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

For additional information on the scope of this withholding, refer to Administrative Determination No. 13-14 of August 28, 2013

and the Central Accounting Circular Letters issued by the Department for these purposes.

### **Line 23 (Line 24 of Schedule M Incentives) - 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 through purchase during taxable years beginning after June 30, 1995. Once the option is exercised, it is irrevocable. This depreciation method does not apply to automobiles, property used outside Puerto Rico, property used by exempt entities, property totally or partially used in activities under the Industrial, Tax and Tourism Incentives Acts, Tourism Development Act, Agricultural Tax Incentives Act, or any other act of similar nature or to intangible property.

Also, Act 212-2002, as amended (Act No. 212), provides a type of accelerated depreciation, where the structure built, 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 who have 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, 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 does not apply to those automobiles acquired by corporations engaged in the car leasing, or transportation of passengers or cargo businesses.

Also, a deduction for goodwill amortization is granted, as long as the goodwill is acquired from third parties through purchase

during taxable years beginning after June 30, 1995. The deduction will be determined using the straight-line method and a useful life of 15 years.

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

### **Line 24 (Line 25 of Schedule M Incentives) - Depreciation for businesses with volume of \$3,000,000 or less**

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

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

### **Line 25 (Line 26 of Schedule M Incentives) - Electric power**

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

### **Line 26 (Line 27 of Schedule M Incentives) - Water and sewage**

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

### **Line 27 (Line 28 of Schedule M Incentives) - Contribution to health or accident plans**

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

### **Line 30 (Line 31 of Schedule M Incentives) - Contributions to qualified pension 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 Internal Revenue 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 Internal Revenue Circular Letter No. 23-01 of January 13, 2023.

### Line 31 (Line 32 of Schedule M Incentives) - Deduction to employers who employ handicapped persons and breastfeeding period

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

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

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

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

### Line 33 of Schedule M Incentives - Deductions not reported on the informative returns of the Disregarded Entities included in this return

If as part of the fully taxable operating income (Schedule M Incentives), you report the result of the operations of a Disregarded Entity, include on this line the deductions that were not reported in informative returns filed in the name of the Disregarded Entity, as determined on Schedule EI Incentives, Part II, line 32. Include such schedule with the return.

## C. Other deductions

### Line 33 (Line 35 of Schedule M Incentives) - Automobile expenses

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

- (1) the expense determined based on a standard mileage rate of sixty cents (\$0.60) for each mile that the taxpayer uses in its industry or business or for the production of income; or
- (2) the actual expenses related to the use and maintenance of an automobile incurred by the taxpayer in its industry or

business or for the production of income, including those expenses that are duly documented by the employees under an expenses reimbursement plan established by their employer.

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

However, those taxpayers who as part of their business operations use five (5) or more automobiles, such as an automobile fleet, will not be able to use the alternative of the standard mileage rate to determine the expense incurred or paid for the use and maintenance of an automobile. In these cases, the deduction to be claimed by these taxpayers will be limited to the actual expense incurred in the operation of all the automobiles used. Therefore, taxpayers who claim expenses for automobile fleets will not be able to determine their deduction under the standard mileage rate alternative.

The expenses related to the use and maintenance of automobiles include repairs, insurances, gasoline, oil and filter changes, cleaning, tires, annual license fees and other expenses of a similar nature. This expense does not include depreciation, rental payments on ordinary leases or financial leases which are claimed on line 23 (or line 24 of Schedule M Incentives) submitting Schedule E. Also, do not include expenses related to the use of tolls or parking, as these must be included as miscellaneous expenses.

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

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

If you incurred expenses for vehicles, which are not considered automobiles according to the above definition, you should claim them on line 34 (or line 36 of Schedule M Incentives).

Regulation No. 9311 of September 30, 2021 amended several articles of Regulation No. 8049 of 2011 related to the requirements to be able to claim the deduction for expenses incurred or paid for the use and maintenance of automobiles. For more details, see Regulation No. 9311.

### Line 34 (Line 36 of Schedule M Incentives) - Other motor vehicle expenses

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

### Line 35 (Line 37 of Schedule M Incentives) - Repairs and maintenance

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

**Line 36 (Line 38 of Schedule M Incentives) - Travel expenses**

There shall be allowed as a deduction for travel expenses and lodging up to 50% of the actual amount paid or incurred that are directly related to the operation of your industry or business for the production of income. You should not consider as part of said expenses the items that do not constitute ordinary and necessary expenses of the industry or business. Indicate in the parentheses provided the total amount of expenses.

**Line 37 (Line 39 of Schedule M Incentives) - Meal and entertainment expenses**

You may deduct 25% 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 for the production of income. You cannot include as part of such expenses, the items that do not constitute ordinary and necessary expenses of your trade or business.

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

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

**Line 44 (Line 46 of Schedule M Incentives) - Office expenses**

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

**Line 46 (Line 48 of Schedule M Incentives) - 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).

Also, the amounts owed to related persons who are foreign, or nonresidents not engaged in trade or business in Puerto Rico will not be deductible as well. Paragraph (c) of Section 1040.04 of the Internal Revenue Code - Period for Which the Deductions and Credits must be Claimed, establishes 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 the Internal Revenue 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 the Internal Revenue Code, will not be deductible by the taxpayer until this amount is paid to any of said related persons.
- 2) Amounts covered by this paragraph - This paragraph applies 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) of the Internal Revenue Code.

**Line 47 (Line 49 of Schedule M Incentives) - Contributions to educational contribution accounts for the employee's 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**, subject to the provisions of Section 1081.05 of the Internal Revenue Code. Employer's contributions will be considered as ordinary and necessary expenses in the operation of your 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 trust's constitutive instrument must state that the participants will be those individuals that through a contract or application claim the benefits provided by such trust.

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

**Line 48 (Line 50 of Schedule M Incentives) - Expenses incurred or paid to stockholders, persons or related entities outside of Puerto Rico**

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

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

For these purposes, the applicable regulations to determine the members of a controlled group of corporations or group of related entities, established in Sections 1010.04 and 1010.05 of the Internal Revenue Code, will be applicable at the moment of determining the relation between the corporation and its stockholders and affiliates.

**The nondeductible amount (51%) will be reported in Part III, line 5(d) of the return. This amount together with the deduction must be the same as the amount included in "Total" space provided on this line.**

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

For taxable years beginning after December 31, 2018, the limitation (49%) in deductible expenses will not apply if the entity submits to the Secretary a transfer pricing study together with the income tax return that includes an analysis of the operations carried out in Puerto Rico (Form AS 6175).

In both cases, the aforementioned limitation will not apply and these expenses must be reported on line 49 (or line 51 of Schedule M Incentives).

**Line 49 (Line 51 of Schedule M Incentives) - Deduction for expenses incurred or paid to stockholders, persons or related entities, fully deductible**

Enter the total expenses, as described on the previous line, if the corporation is excluded from the limitation (49%) established by Section 1033.17(a)(17) previously mentioned, by any provision of law or because the taxpayer requested and the Department of the Treasury approved a waiver to be excluded from the limitation.

This limitation will not apply to persons who operate under the provisions of Act No. 73 of May 28, 2008, known as the "Economic Incentives for the Development of Puerto Rico Act", or any previous or subsequent analogous act, or under the provisions of Act No. 74 of July 10, 2010, known as the "Puerto Rico Tourism Development Act of 2010", Act No. 83 of July 19, 2010, and Act No. 20 of January 17, 2012, or any preceding or subsequent analogous act or those of any other special act that grants tax exemption with respect to the income derived from its operations covered under a tax exemption decree, resolution or grant issued under the provisions of said acts.

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

**Line 50 (Line 52 of Schedule M Incentives) - Losses from fire, storms, other casualties, or theft**

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

**Line 52 (Line 54 of Schedule M Incentives) - Expenses in property leased to the Puerto Rico Industrial Development Company or warehouse of the Puerto Rico Trade and Export Company**

All Eligible Business, according to Act 1-2013 (known as "Jobs Now Act"), that leases 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 capitalized expenses incurred in the construction or improvements, remodeling or repair of eligible property or leased warehouse, as well as the acquisition of machinery and equipment to be permanently or temporarily installed in the eligible property or warehouse, as long as the improvements, remodeling, repairs, machinery and equipment are used in the operations of the eligible business subject to the lease. Also, the improvements, remodeling, repairs, and the machinery and equipment should not have been previously used or depreciated.

The total of the eligible investment for this deduction in excess of the eligible business net income in the year of the expense may be claimed as deduction in subsequent taxable years, until totally used. No deduction will be allowed for this concept in relation to the portion of expense 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 Government

of Puerto Rico. Neither will this deduction apply if the investment has generated other special deductions or tax credits.

**Line 53 (Line 55 of Schedule M Incentives) - Other deductions**

Those expense items for which a specific space is not provided will be totalized and reported as Other Deductions. Among others, include:

**Special Deduction in Activities of Research and Development**

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 aimed to the development of new products, new uses or indications for such products, to their improvement, or to the study of diseases, in excess of the annual average of such expenses incurred during the three 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.

**Other Deductions**

Those expense items for which there are no specific spaces provided in this Part C, will be totalized and entered as Other Deductions. **Submit with your return a schedule detailing such deductions.**

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

**Line 56 of Schedule M Incentives - Deductions that were validated by an AUP of the Disregarded Entities included in this return**

If you report the result of the operations of a Disregarded Entity as part of the income from fully taxable operations, include on this line the deductions that were validated by an AUP, as determined on Schedule EI Incentives, Part II, line 54. Include said schedule with the return.

**Line 55 (Line 58 of Schedule M Incentives) - Charitable contributions**

A corporation may deduct an amount that cannot exceed 10%



of the net income, computed without the benefit of this deduction, for contributions made to:

- ↳ the Government 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.

To claim the deduction the entity must have an Administrative Determination issued by the Department of the Treasury certifying that is a nonprofit entity and complies with the requirements of Section 1101.01 of the Internal Revenue Code. No deduction will be accepted for contributions made to entities qualified under the Federal Internal Revenue Code, not qualified in Puerto Rico by the Department of the Treasury.

- ↳ 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 make possible the realization of any cultural or historic work, may be claimed as charitable contributions. The amount to be claimed will 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 Internal Revenue Code.

Likewise, any contribution made to the Puerto Rico Public Broadcasting Corporation, as provided by Article 4 of Act 216-1996, as amended, will not be subject to the limitations provided by the Internal Revenue Code.

To claim this deduction you must complete Schedule CC and transfer to this line the amount of the deductions attributable to each Schedule J, K, L or M Incentives. The sum of the amounts claimed in each of these schedules cannot exceed the amount determined in Part IV, line 5 of Schedule CC.

#### **Line 56 (Line 59 of Schedule M Incentives) - Allowable deduction for investment in a Private Equity Fund**

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

- 1) A bank, insurance company, registered investment company, development company business, small business investment company, International Banking Entity ("IBE") or International

Financial Entity ("IFE"). It shall be understood that the IBE or IFE may be Accredited Investors independently of what is established by the International Banking Center Regulatory Act and the International Financial Center Regulatory Act, respectively;

- 2) A nonprofit organization, corporation, or association with assets in excess of five million dollars (\$5,000,000); and
- 3) A business in which all the capital owners are accredited investors.

The amount allowed as a deduction will be the following:

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

The amount of the deduction that was not claimed in the first year can be carried forward for a maximum period of 10 years if the investment was made in a PEF and 15 years if the investment was made in a PEF-PR.

For additional details, refer to Act 185-2014, as amended, and Act 60-2019.

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

Also, you must submit with the return the following documents:

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



which the deduction was generated, the amount of deduction generated by the investor, the amount of such deduction that was claimed in previous years, the amount of deduction available for the taxable year and the expiration date of any available unclaimed balance to be used in subsequent years.

**Determination of the deduction:**

1. Amount of capital committed as initial investment that qualifies as contributed during the taxable year (From the certification issued by the PEF or PEF-PR) ..... \$ \_\_\_\_\_
2. Applicable percentage:
  - If the investment was in a PEF, enter 30%
  - If the investment was in PEF-PR, enter 60% ..... %
3. Amount of deduction for initial investment contributed during the year (Multiply line 1 by the applicable percentage of line 2) ..... \$ \_\_\_\_\_
4. Amount of deduction not claimed in previous years ..... \$ \_\_\_\_\_
5. Total deduction for investment in a PEF or PEF-PR (Add lines 3 and 4) ..... \$ \_\_\_\_\_

**Deduction limitation:**

	Net Income per Return	Share of Income
6. Net income (Add the net income resulting from each one of the following Schedules of the return, without considering the deduction for investment in a PEF or PEF-PR):		
Schedule J Incentives - Subtract line 20, 32, 54 and 55 of Part VI from line 12 of Part V .....	\$ _____	_____ %
Schedule K Incentives - Subtract line 20, 32, 54 and 55 of Part V from line 12 of Part IV .....	_____	_____
Schedule L Incentives - Subtract line 20, 32, 54 and 55 of Part VII from line 16 of Part VI .....	_____	_____
Schedule L2 Incentives - Subtract line 20, 32, 54 and 55 of Part II from line 8 of Part I .....	_____	_____
Schedule M Incentives - Subtract line 21, 34, 57 and 58 of Part IV from line 27 of Part III .....	_____	_____
<b>Total net income without considering the deduction for initial investment in a PEF or PEF-PR .....</b>	<b>\$ _____</b>	<b>100 %</b>

7. Applicable percentage:
  - If the investment was in a PEF, enter 15%
  - If the investment was in a PEF-PR, enter 30% ..... %
8. Maximum amount allowable as deduction (Multiply the total net income of line 6 by the applicable percentage of line 7) ..... \$ \_\_\_\_\_
9. Allowable deduction on this return (Enter the smaller between lines 5 and 8) ..... \$ \_\_\_\_\_
10. Distribute the deduction among the corresponding Schedules (Multiply the amount determined on line 9 by the percentage that represents the net income, without considering this deduction, of each Schedule as determined on line 6). Transfer the amount determined to the line 56 or 59 of the applicable Schedule:
 

Schedule J Incentives .....	\$ _____
Schedule K Incentives .....	_____
Schedule L Incentives .....	_____
Schedule L2 Incentives .....	_____
Schedule M Incentives .....	_____
- Total allowable deduction on this return** (This amount must be equal to the amount determined on line 9) ..... \$ \_\_\_\_\_



## SCHEDULE J INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED TO INDUSTRIAL DEVELOPMENT, MANUFACTURE AND GREEN ENERGY

This schedule must be used by exempt businesses with decrees under Act 135-1997, Act 73-2008, Act 83-2010, Chapter 6 of Subtitle B of the Incentives Code for manufacturing activities and Chapter 7 of Subtitle B of the Incentives Code for infrastructure and green energy activities.

Sections 2061.01 and 2071.01 of the Incentives Code include a list of eligible activities for purposes of obtaining a decree under Chapters 6 and 7, respectively.

For additional details regarding eligibility, benefits and other requirements for decree applications under Chapters 6 and 7, refer to the Incentives Code.

### GENERAL INFORMATION

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years, type of business and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval.

If you chose to include in the return the operations of a Disregarded Entity with a manufacturing or green energy tax exemption decree, you must complete a Schedule J Incentives. In these cases, you must include the information of the disregarded entity in the space provided. The information presented in this section must match with the one included in the detail required in question 28, Part VII of the return.

### PART I - BASE PERIOD AVERAGE INCOME

Include the base period average income, as determined in your decree.

### PART II - NET INCOME SUBJECT TO TAX

**Line 2** - Enter the income derived from qualified investments under Section 2(j) of Act 135-1997.

#### Net operating loss:

Net operating losses declared exempt under the Incentives Code or any Incentives Act, computed without the benefit of the special deduction provided by this concept, can be deducted only against the income from the operation that incurred the loss.

Net operating losses that are not covered by an exemption decree under the Incentives Code or any incentives act, can only be deducted against income **not** covered by an exemption decree, in accordance with the provisions of the Internal Revenue Code.

Net operating losses from prior years include participation in losses of pass-through entities that are owned or operate tourism businesses under Act 78-1993.

In the case of exempt businesses with a decree for activities related to manufacturing, the loss will be adjusted for eligible investment income of such exempt business.

The amount of the loss to be carried forward will be computed according to the provisions of Section 1033.14 of the Internal Revenue Code, except that in addition to the exceptions, additions and limitations provided in this section, the loss shall be adjusted for income from eligible activities under subsection (j) of Section 2 of Act 135-1997.

#### Line 4 - Deduction for net operating loss accumulated until taxable year 2019

Enter on this line the total of net accumulated operating losses up to taxable year 2019, determined on Schedule G Incentives, line 10, Column E. Include said schedule with the return.

The total amount of loss to be claimed on this line cannot exceed 90% of the net operating income determined on line 3 of this Part II.

#### Line 6 - Deduction for net loss in operations for taxable year 2020 related to COVID-19 under Act 57-2020

Enter on this line the total of net operating loss of taxable year 2020 related to the COVID-19 under the Act 57-2020 for regular tax purposes, determined on Schedule G Incentives, Part I, line 11, Column E. Include said schedule with the return.

Article 5(b) of Act 57-2020, known as the "Complementary Act to Address the Effects of the COVID-19 Emergency on the Puerto Rican Economy" ("Act 57-2020"), establishes the Net Operating Loss Carry Back Program (carry back). The purpose of this program is to allow the Department to grant a special deduction for net operating losses incurred during taxable year 2020 and caused directly by the COVID-19 emergency ("Special Deduction"), to be carried back to the two (2) previous taxable years, beginning with the oldest previous year. The carryover loss limitation established in Section 1033.14(b)(1)(D) of the Internal Revenue Code does not apply to this special loss carryover deduction.

Therefore, the loss incurred and reflected in the Income Tax Return ("Return") for taxable year 2020 will be available to be used as a Special Deduction in the Returns for taxable years 2018 and 2019, in that order, if said returns reflect income tax determined. Said special deduction will also apply to compute the alternative minimum tax. Any amount of losses generated in the Return for taxable year 2020 that are not claimed as a Special Deduction in the Returns for taxable years 2018 or 2019, may be carried over to taxable years subsequent to 2020.

In addition, Article 5(c)(1) of Act 57-2020, establishes that the carryover of the net operating loss incurred in taxable year 2020, directly caused by the COVID-19 emergency, to subsequent taxable years, will not be subject to the 90% net income limitation established in Section 1033.14(b)(1)(D) of the Internal Revenue Code.

In accordance with the provisions of said Article, the order of application of the net operating losses will be as follows:

1. The taxpayer will claim the losses incurred in taxable years prior to 2020 (subject to the 90% limitation established in Section 1033.14(b)(1)(D) of the Internal Revenue Code).
2. After applying losses from taxable years prior to 2020, if any, losses incurred in taxable year 2020 will be claimed, without considering the limitations established in Section 1033.14(b)(1)(D) of the Internal Revenue Code.

3. If after applying the losses from taxable years prior to 2020 and those incurred in taxable year 2020, the Return reflects net income, you may take a deduction for the loss carried forward in taxable years after 2020.

For more information related to the Net Operating Loss Carry Back Program under Act 57-2020, refer to Administrative Determination No. 21-09 of November 17, 2021 and Act 57-2020.

### **Line 8 - Deduction for net operating loss accumulated after taxable year 2020**

Enter on this line the total net operating loss accumulated after taxable year 2020 for regular tax purposes, determined on Schedule G Incentives, Part I, line 14, Column E. Include said schedule with the return.

The total amount of loss to be claimed on this line cannot exceed 90% of the net operating income determined on line 3 of this Part II.

### **Line 10 - Industrial development income subject to tax rates under the Code, as provide by Sections 3(f) and 3(g) of Act 73-2008**

Subtract the industrial development income (IDI) subject to the tax rates applicable under the Internal Revenue Code, according to Sections 3(f) and 3(g) of Act 73-2008. Transfer to Schedule M Incentives, Part I, line 1.

During the first four (4) years of the enforcement of this act, according to the provisions of Section 3(f), the fixed income tax rates provided in the same will be applied gradually to the IDI, as follows:

Year	IDI subject to fixed tax rate under Act 73-2008	IDI subject to tax rates under the Internal Revenue Code
1	25%	75%
2	50%	50%
3	75%	25%
4	100%	0%

On the other hand, an eligible business that at the date of its incentives application, is dedicated to the activity for which the benefits of this act are granted, as provided by Section 3(g), will be able to enjoy the fixed tax rate on industrial development income provided by Section 3, only regarding the increase that the net income from such activity generates over the average net income of the last three (3) taxable years previous to the date of submitting the application (basis period income).

The basis period income will be subject to the income tax rates provided by the Internal Revenue Code. This income will be adjusted, reducing such amount by 25% annually, until it is reduced to zero for the fourth taxable year of application of the terms provided in the exempt business decree under this act.

### **Line 12 - Special deductions for exempt businesses**

#### **Businesses under Act 135-1997**

Use Schedule J1 Incentives to determine the special deductions to which you are entitled according to Act 135-1997: payroll deduction, human resources training and improvement expenses deduction, research and development expenses

deduction, and special deduction for investment on buildings, structures, machinery, and equipment.

#### **Businesses with decree under Act 83-2010**

Every exempt business that has a decree granted under Act 83-2010, may elect to deduct on the taxable year incurred, in lieu of any expense capitalization required by the Internal Revenue Code, the total expense incurred after the effective date of such act, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, provided that said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used in the manufacture of products or to render the services for which said benefits were provided under the act.

#### **Businesses with decree under Chapter 6 of Act 60-2019**

Every exempt business that has a decree granted under Chapter 6 of the Incentives Code, will have the option to deduct in the taxable year in which they are incurred, in lieu of any expense capitalization required by the Internal Revenue Code, the total expenses incurred after the effective date of Act 60-2019, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, provided that said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used to manufacture the products or render the services for which the benefits provided under Chapter 6 were granted.

#### **Businesses with decree under Act 73-2008**

Every exempt business that has a decree granted under Act 73-2008, will have the option to deduct in the taxable year in which they are incurred, instead of any expense capitalization required by the Internal Revenue Code, the total expenses incurred after the effective date of such act, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, provided that said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used to manufacture the products or render the services for which the benefits provided under the act were granted. The amount of the investment eligible for this deduction in excess of the net industrial development income of the exempt business that has a decree granted under this act in the year of the investment, may be claimed as a deduction in the subsequent taxable years, until said excess is exhausted.

In case the exempt business claims this deduction, will not be able to claim a deduction for depreciation of said assets.

### **Line 14 - Deduction for purchases of products manufactured in Puerto Rico**

Enter the amount of the deduction for the purchase of products manufactured in Puerto Rico equal to 15% of the purchases of such products, reduced by the average of the purchases of such products made during the year 2000. This deduction is granted only for the purchases of products that had been manufactured by businesses not related to the exempt business. For purposes of the previous calculation, such purchases to non related businesses will be excluded from the total purchases of products manufactured in Puerto Rico made by the exempt business.



This deduction will be used only in the taxable year in which you earn the industrial development income against which the deduction is claimed and it cannot be carried forward to subsequent taxable years. **The business that claims this deduction will not be able to simultaneously enjoy the credit granted for this concept.**

#### **Line 16 - Base period income under Act 73-2008**

Applies only to exempt businesses under Act 73-2008 that renegotiated their decrees under Section 13(b)(1) of said act and its previous decree was issued under Act 135-1997.

#### **Line 17 - Base period income**

Applies only to exempt businesses that renegotiated their decrees under Act 135-1997 and its previous decree was issued under Act 8 of 1987. Enter the base period income, as indicated in Part I of this Schedule.

#### **Line 19 - Special exemption of industrial development income**

Enter on this line the special exemption of industrial development income or those determined under Section 3A(a)(1)(B) of Act 135-1997 or Act 73-2008 or Section 2062.01(a)(3)(ii) of Act 60-2019. Complete Part IX of this Schedule and include on this line the exemption determined on line 6 or 7, as applicable.

### **PART III - COMPUTATION OF TAX**

#### **Line 1 - Tax on income from the eligible activity**

Determine the tax on the net income from the eligible activity according to the applicable fixed rate, as determined in your decree.

Do not use this part to determine the tax if your operations are covered under Chapter 6 of Act 60-2019. In these cases, you must continue with Part IV of this Schedule J Incentives.

#### **Businesses with decree under Act 73-2008**

Determine the tax on the net income from the eligible activity according to the applicable fixed rate, as determined in your exemption decree granted under Act 73-2008.

Act 73-2008 provides, among other things, that any exempt business with a decree granted under this act, that is located or locates its operations in a municipality classified as low industrial development zone or intermediate industrial development zone, as provided by Section 11 of Act 73-2008, may reduce the established fixed income tax rate by an additional .5%. In those cases in which an exempt business with a decree granted under this act maintains operations in more than one industrial zone, such exempt business shall enjoy said reduction regarding the industrial development income attributable to its operations in the low industrial development zone or intermediate industrial development zone, according to the rules of attribution provided by regulations.

#### **Businesses with decree under Act 83-2010**

Determine the tax on the net income from the eligible activity according with the applicable fixed rate, as determined in your exemption decree granted under Act 83-2010.

#### **Businesses with decree under Chapter 7 of Act 60-2019**

Determine the tax on the net income from the eligible activity according with the applicable fixed rate, as determined in your exemption decree granted under Chapter 7, Subtitle B of the Puerto Rico Incentives Code (Act 60-2019).

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

#### **Line 3 - Tentative tax**

Enter the result of the sum of lines 1 and 2. This is your "tentative tax", determined by applying the corresponding fixed income tax rate according to Act 73-2008 or Act 83-2010.

#### **Line 6 - Minimum tentative tax**

#### **Businesses with decree under Act 73-2008**

Every exempt business under Act 73-2008 will be subject to a minimum tax. In the case of a small or medium business, such tax will be 1% of the net industrial development income of the business. For a local investment business, it will be 3% of the net industrial development income. In other cases, it will be the fixed income tax rate provided by law applicable to the business multiplied by the net industrial development income, excluding the income under subsection (j) of Section 2 of Act 73-2008.

#### **Businesses with decree under Act 83-2010**

Every exempt business under Act 83-2010 will be subject to a minimum tax. In the case of an exempt business that belongs directly in at least 50% to individuals residents of Puerto Rico, it will be 3% of the green energy income of the exempt business.

#### **Line 7 - Tax withheld on royalty payments**

Subtract the tax withheld on royalty payments made during the year.

#### **Line 8 - Minimum tax**

The payment required for minimum tax will be equal to the excess of the minimum tax over the net tentative tax. As long as the net tentative tax exceeds the minimum tax, the exempt business will not have to make a payment for minimum tax.

#### **Line 9 - Tax on base period average income**

Multiply the base period average income, coming from Part I, by the applicable rate and enter the result on this line.

### **PART IV - COMPUTATION OF TAX (Activities under Act 60-2019 - Chapter 6: Manufacture)**

This part will be completed only by taxpayers who have an exemption decree granted under Chapter 6 of Act 60-2019.

#### **Line 1 - Tax on net income from the eligible activity**

Determine the tax on the net income of the eligible activity according with the applicable fixed rate, as determined in your exemption decree granted under Chapter 6, Subtitle B of the Puerto Rico Incentives Code (Act 60-2019).

Those exempt businesses that have opted for the payments received or deemed received by foreign persons not engaged in trade or business in Puerto Rico, for the use or privilege of use in Puerto Rico of intangible property related to the exempt operation, be subject to a two percent (2%) rate, in lieu of the twelve percent (12%) provided in paragraph (1) of subsection (b) of Section 2062.01 of the Incentives Code, will be subject to a fixed tax rate on industrial development income of eight percent (8%).

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

#### **Line 4 - Minimum tentative tax**

Every exempt business engaged in manufacturing will be subject to a minimum tax. In the case of an exempt business that generates an average gross income, including the gross income of members of its controlled group or from the group of related entities, of less than ten million (10,000,000) dollars during the three (3) previous taxable years, the minimum tax will be 1% of the industrial development net income of the business. For a local investment business, it will be 3% of the industrial development net income. In all other cases, it will be the fixed income tax rate provided by law applicable to the business, multiplied by the industrial development net income without including the income from eligible investments.

#### **Line 5 - Tax withheld on royalty payments**

Subtract the tax withheld on royalty payments made during the year.

#### **Line 6 - Minimum tax**

The payment required for the minimum tax is equal to the excess of the minimum tax over the net tentative tax. To the extent that the tentative tax exceeds the minimum tax, the exempt business will not have to make a minimum tax payment.

#### **Line 8 - Tax on the base period average income**

Multiply the base period average income from Part I by the applicable rate and enter the result on this line.

### **PART IX - SPECIAL EXEMPTION OF INDUSTRIAL DEVELOPMENT INCOME**

To complete this part, the taxpayer must have answered "Yes" to question 31 of the Questionnaire of Part VII of the return. The taxpayer may claim the special exemption determined on line 6 or line 7, as applicable. You will not be able to claim both.

#### **Line 1 - Direct employees of all members of the controlled group in each quarter of the immediately preceding year**

Enter the number of direct employees you maintained at the end of each quarter of the corporation's taxable year. Only will be considered those employees who meet the requirements of direct employment established in the tax exemption decree.

#### **Line 2 - Total average number of direct employees for the immediately preceding year**

Enter the amount that results from dividing the total number of employees between 4. If the result is less than 1,000 the rest of

this part will not be completed and zero will be entered on line 19 of Part II of this Schedule.

#### **Line 3 - Income from Industrial Development of all members of the controlled group for the immediately preceding year**

Enter the sum of the industrial development income generated by all members of the controlled group for the 2022 taxable year.

#### **Line 6 - Special Exemption of Industrial Development Income**

If you determine the special exemption based on this line 6, transfer the determined total to line 19 of Part II of this Schedule J Incentives.

In case that the provisions of Section 3(A)(1)(B) of Act 135-1997 or Act 73-2008, or Section 2062.01(a)(3)(ii) of Act 60-2019 are applicable, the exemption will be computed using line 7.

### **SCHEDULE K INCENTIVES - INCOME TAX FOR EXEMPT BUSINESSES ENGAGED TO OTHER ACTIVITIES OF ECONOMIC DEVELOPMENT**

This schedule must be used by those Film Entities that derive income directly from Film Projects or Infrastructure Projects under Act 362-1999 or Act 27-2011; businesses that derive income from gaming operations in their touristic installations under Act 118-2010, as amended, best known as the Municipal Economic and Tourism Development Incentives Act; exempt businesses with decrees under Act 20-2012, known as Act to Promote the Exportation of Services; exempt businesses with decrees under Chapter 3 of Subtitle B of the Incentives Code for activities of export of goods, export services or promoter services; Chapter 5 of Subtitle B of the Incentives Code for activities related with visitor economy; Chapter 9 of Subtitle B of Incentives Code for being engaged in creatives industries, and eligible businesses in the opportunity zones under the Incentives Code, which have a tax exemption decree issued under the Opportunity Zones chapter of said Code.

### **EXEMPT BUSINESSES UNDER CHAPTER 3 OF SUBTITLE B OF THE INCENTIVES CODE**

To be considered an eligible business in the case of exporting goods and products, no less than eighty percent (80%) of the gross income of any person with a bona fide office or establishment located in Puerto Rico must be derived from: the sale of products manufactured or harvested upon request, to foreign persons for their use, consumption or disposal outside of Puerto Rico; storage, transportation and distribution of products and items belonging to third parties; commercial and mercantile distribution of products that are manufactured or harvested in Puerto Rico to jurisdictions outside of Puerto Rico; and operations of assembly, bottling and packaging of products for export, among others.

In the case of exporting services, an eligible business is considered to be any person with a bona fide office or establishment located in Puerto Rico that carries out or may carry out service activities, within or without Puerto Rico, which, in turn, are considered export services or promoter services.

Some services considered eligible activities for purposes of Chapter 3 include:

- ✦ economic, environmental, technological, scientific, managerial, marketing, human resources, computer and audit consulting services;
- ✦ counseling on matters related to any trade or business;
- ✦ professional services, such as legal, tax and accounting services;
- ✦ educational and training services; and
- ✦ investment banking and other financial services

For additional details regarding eligibility, benefits and other requirements for decree applications under Chapter 3, refer to the Incentives Code.

### EXEMPT BUSINESSES UNDER CHAPTER 5 OF SUBTITLE B OF THE INCENTIVES CODE

All new or existing business engaged in a touristic activity that is not covered by a tax exemption resolution or concession granted under the "Tourism Incentives Act", Act No. 52 of June 2, 1983, as amended, the "Puerto Rico Tourism Development Act", Act 78-1993, as amended, the "Puerto Rico Tourism Development Act of 2010", Act 74-2010, as amended, or that being covered, waives said resolution or concession of exemption in favor of a grant under Chapter 5, will be considered an eligible business.

Tourist Activity means the ownership or administration of:

- Hotels, including the operation of Casinos, Condo hotels, Puerto Rican Inns ("Paradores"), Agrolodges, Guest Houses, Timeshare and Vacation Clubs, the inns that belong to the "Posadas de Puerto Rico" program, Bed and Breakfast (B&B) and any other that from time to time are part of programs promoted by the Tourism Office.
- Theme parks, golf courses, Tourist Marinas, docking facilities for tourists, Agrotourism, Nautical Tourism, Medical Tourism and other facilities or activities that, due to the special attractive features derived from their use as a source of active, passive or recreational entertainment, are a stimulus for internal or external tourism, and any other tourism sector, provided that the Secretary of the DDEC determines that such operation is necessary and convenient for the tourism development in Puerto Rico.
- Sustainable tourism and ecotourism businesses (caverns, forests and nature reserves, lakes and canyons, among others).
- eSports and Fantasy Leagues activities.
- Operation of a business engaged in leasing to an Exempt Business of property devoted to an Eligible Activity.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 5, refer to the Incentives Code.

### EXEMPT BUSINESSES THAT REQUEST A DECREE UNDER CHAPTER 9 OF SUBTITLE B OF THE INCENTIVES CODE FOR BEING ENGAGED IN CREATIVE INDUSTRIES

The following activities will be eligible:

- 1) Film Projects, subject to certain requirements, including:
  - Feature films
  - Short films

- Documentaries or productions of live shows which distribution includes markets outside of Puerto Rico during live broadcast, such as beauty pageants, award productions, or shows of a similar nature.
- Television series, mini-series and television shows of a similar nature
- Ads that are displayed outside of our jurisdiction, including campaigns consisting of several ads, provided that all the ads in the campaign are included in a single contract or purchase order with added Puerto Rico production expenses of at least one hundred thousand dollars (\$100,000).
- Video games
- Television projects, including reality shows, talk shows, news shows, game shows, entertainment, comedy and children's programs, and variety shows.
- The post-production of one or several film projects listed above, provided that all the film projects are included in a single contract or purchase order with added Puerto Rico production expenses of at least one hundred thousand dollars (\$100,000).
- Film festivals
- Music videos

2) Studio Operators or Post-Production Studios that directly or through an endorsed concessionaire operate a studio or post-production studio, as well as the components required in order to provide the necessary services to respond to the commercial needs of film projects.

3) Strategic suppliers or Concessionaires endorsed by the Secretary of the DDEC.

4) Infrastructure Projects that include a substantial development or expansion in Puerto Rico of studios, laboratories, facilities for the international transmission of television images or other media, or other permanent facilities to carry out film projects, whose direct cost budgets exceed five hundred thousand dollars (\$500,000).

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 9, refer to the Incentives Code.

### ELIGIBLE BUSINESSES IN THE OPPORTUNITY ZONES UNDER ACT 60-2019

For details regarding eligibility, benefits, and other requirements for decree applications for exempt businesses in opportunity zones, refer to the Incentives Code.

### GENERAL INFORMATION

Include the case number in the corresponding box. Also, indicate the effective period for income, the sales volume for the previous three (3) taxable years and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval.

### DISREGARDED ENTITIES

If you chose to include the operations of a Disregarded Entity with a tax exemption decree for economic development activities, you must complete a Schedule K Incentives. In these cases, you must include the information of the disregarded entity in the

space provided. The information presented in this section must match the details required in question 28, Part VII of the return.

## PART I - BASE PERIOD AVERAGE INCOME

An eligible business that, on the date of its incentives application, is engaged in providing export services or promoter services or engaged in export trade activity for which Chapter 3 benefits are granted, or has been engaged in such activity at any time during the three (3) taxable year period prior to the date of submitting the application, considered the base period, may enjoy the fixed income tax rate provided in subsection (a) of Section 2032.01 of the Incentives Code (Section 2032.02 in the case of export trade activity), only in terms of the increase in the net income of said activity generated over the average base period net income, which is called base period income.

The base period income will be subject to the income tax rates provided by the Internal Revenue Code and will be adjusted, reducing said amount by 25% annually, until it is reduced to zero for the fourth taxable year of application of the terms of the exempt business decree.

Include the average income for the base period, as determined in your decree, as applicable.

## PART II - NET INCOME SUBJECT TO TAX

### Net operating losses:

In case of a **Film Entity with decree under Act 362-1999 or Act 27-2011**, that incurs in a net operating loss from a Film Project or an Infrastructure Project, once the exemption period for income tax purposes is expired (10 years), the net losses incurred being carried over at the expiration date of said period, may be deducted from any taxable income in Puerto Rico, subject to the limitations provided by the Internal Revenue Code.

**Lines 2 through 6** - Refer to the instructions of Schedule J Incentives, Exempt Businesses under Act 135-1997, Part II, lines 4 through 8.

### Line 8 - Base period income

Applies only to exempt businesses that negotiated their decree under Article 4(c) of Act 20-2012.

## PART III - COMPUTATION OF TAX

### Line 1 - Tax on income from the eligible activity

Multiply the net income from the eligible activity subject to tax by the applicable rate, as determined in your decree. An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%) for a period of five (5) years. For the remaining period of the decree, the fixed rate will be four percent (4%).

An exempt business in the opportunity zone will be subject to a fixed tax rate on the net income from opportunity zones of eighteen point five (18.5) percent instead of any other tax imposed by the Internal Revenue Code.

## Line 2 - Tax on base period average income

The income attributable to the Base Period Income will be subject to the income tax rates provided by the Internal Revenue Code, except in case of entities with exemption decrees under Act 73-2008 and Act 135-1997, in which case the fixed tax rate provided in the decree will apply. The Internal Revenue Code provides a normal tax rate of 18.5% plus the surtax. To determine the surtax, refer to the instructions of Schedule L Incentives, Part II, line 2 and line 5, last table.

**The tax rate on the Film Entity's income derived directly from Film Projects or Infrastructure Projects will be in force for a 10 year period** starting on the day on which the project begins operations, but never before the filing date of a license request for the benefits of this Act.

## EXEMPT BUSINESSES UNDER ACT 118-2010

In case of businesses that derive income from gaming operations in their touristic installations under Act 118-2010, as amended, best known as the Municipal Economic and Tourism Development Incentives Act, the net income from gaming will be equal to the gross income from gaming less the winnings paid.

## SCHEDULE L INCENTIVES - INCOME TAX FOR PARTIALLY EXEMPT BUSINESSES

This schedule must be used by exempt businesses with decrees under Act No. 52 of 1983, Act No. 8 of 1987, Act 78-1993, and Act 74-2010, Chapter 4 of Subtitle B of the Incentives Code for finance, investment and insurance activities, Chapter 8 of Subtitle B of the Incentives Code to engage in activities related to agriculture, livestock industries and agro-industries, Chapter 10 of Subtitle B of the Incentives Code for entrepreneurship activities, and Chapter 11 of Subtitle B of the Incentives Code for activities related to other industries covered by the Incentives Code.

Those entities that derive partially exempt income under Act No. 168 of 1968, Act No. 148 of 1988, Act 75-1995, Act 225-1995, Act 14-1996, Act 178-2000, Act 1-2013, Act 8 of 1987, Act 135-2014 or Act 273-2012, must also use this schedule.

## GENERAL INFORMATION

Include the case number in the corresponding box. Also, indicate the effective period for income, sales volume for the three (3) previous taxable years, type of business and the current and required number of jobs directly related to the exempt activity.

If you are filing the return as a New PYME, select the corresponding oval.

Indicate if you report the results of the operations of a Disregarded Entity. If you answered "Yes", you must submit along with the return a detail that provides the following information for each entity for which the Disregarded Entity treatment has been chosen: (i) full name of the entity; (ii) employer identification number; and (iii) business volume. It will be necessary to indicate if the corporation owns the Disregarded Entity directly, and if not, it must provide the employer identification number of the direct owner of the entity that is interested in being treated as a Disregarded Entity. Likewise, for the taxable year in which this election is exercised, the taxpayer will be required to submit as evidence a copy of Form AS 6045 of all entities for which the



Disregarded Entity treatment has been chosen and is included in the corporation's return.

In general terms, a Disregarded Entity is a company or organization whose existence is omitted as an entity separate from its owner only for purposes of computing the income tax established in Subtitle A of the Internal Revenue Code. The Disregarded Entity will not have the obligation to file an income tax return and the corporation owner will be responsible for reporting on its return the income items that were generated by the Disregarded Entity. The corporation will report the income in its return in the same nature in which it was received by the entity.

For additional information, refer to AD 22-10 and AD 23-01.

#### **PARTIALLY EXEMPT INCOME UNDER ACT 52 OF 1983, ACT 78-1993 OR ACT 74-2010**

In case of a corporation or partnership that operates under Act No. 52 of 1983, Act 78-1993 or Act 74-2010, and has made the election under Section 5(b) or 3(a)(1)(D), as applicable, it must submit with the return a copy of the notification addressed to the Secretary of the Treasury making such election.

Any exempt business under Act 78-1993 or Act 74-2010, must include with the return a copy of the order issued by the Director of the Tourism Company indicating the date on which the exemption began.

#### **EXEMPT BUSINESSES ENGAGED TO FINANCE, INVESTMENT AND INSURANCE ACTIVITIES UNDER CHAPTER 4 OF SUBTITLE B OF THE INCENTIVES CODE**

International Financial Entities, International Insurers, Segregated Asset Plans, Holding Companies of International Insurers and Private Equity Funds may be considered eligible businesses.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 4, refer to the Incentives Code.

#### **EXEMPT BUSINESSES ENGAGED TO AGRO-INDUSTRY ACTIVITIES UNDER CHAPTER 8 OF SUBTITLE B OF THE INCENTIVES CODE**

The following activities are considered eligible:

- 1) Activities of the Puerto Rico Dairy Industry, Inc.
- 2) Livestock or agro-industrial businesses engaged in the operation or exploitation in Puerto Rico of one or more of the following businesses:
  - tillage or cultivation of the land for the production of fruits and vegetables, spices for condiments, seeds and all kinds of food for human beings or animals, or raw materials for other industries;
  - raising animals for the production of meat, milk or eggs, among others, used for food for human beings, or raw materials for other industries;
  - the breeding of thoroughbred racehorses, the breeding of Paso Fino horses and the breeding of ride horses;
  - agro-industries or livestock operations that purchase the raw material produced in Puerto Rico; or

- other businesses, as described in Section 2081.01 of the Incentives Code.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 8, refer to the Incentives Code.

#### **EXEMPT BUSINESSES ENGAGED TO ENTREPRENEURSHIP ACTIVITIES UNDER CHAPTER 10 OF SUBTITLE B OF THE INCENTIVES CODE**

All young entrepreneur who signs a Special Agreement for the Creation of Companies with the Secretary of the DDEC, may enjoy the benefit of tax exemption for a period of three (3) years from the date of commencement of operations, as established in the decree.

In general, new businesses of young entrepreneurs must meet the following requirements:

- the business must begin its main commercial operation on or after the filing of the decree application;
- the business must be operated exclusively by young entrepreneurs;
- one that has been operating through affiliates or that is the result of a reorganization, as defined in the Internal Revenue Code, will not be considered a new business; and
- the benefits will be limited to one new business per young entrepreneur.

For additional details regarding eligibility, benefits, and other requirements for decree applications under Chapter 10, refer to the Incentives Code.

#### **PART I - NET INCOME SUBJECT TO TAX**

##### **Line 2 - Investment income**

Enter the income from qualified investments under Section 2(j) of Act No. 8 of 1987.

##### **Line 4 - Exempt amount under Section 2100.01 of Act 60-2019 and an International Insurer**

Enter in the space provided the amount associated with the corresponding exemption according to the eligible activity carried out by the exempt business. Enter the amount of one million two hundred thousand dollars (\$1,200,000) if the exempt business is an International Insurer or Segregated Assets Plan of an International Insurer.

##### **Net operating loss:**

Any loss incurred in the year in which the entity made the election under Section 3(f) of Act No. 8 of 1987, can be carried over and claimed totally as a deduction against the IDI derived by the exempt business under the decree in which the election was made under Section 3(f) or against the IDI percentage that would have been taxable in case that the entity has not made the election.

Any net loss incurred during the year in which the entity made the election under Section 3(a)(1)(D) of Act 78-1993 or Act 74-2010, can be carried over and taken as a deduction only against the tourism development income derived by the exempt business in which the election was made under said Section. In case of an entity that has renegotiated its decree under Act 78-1993 or Act 74-2010, it may take as a deduction the net operating

losses incurred from operations under previous decrees (Industrial or Tourism Incentives Act).

Losses incurred on a year in which the election was made under Section 5(b) of Act No. 52 of 1983 or under Section 3(a)(1)(D) of Act 78-1993 or Act 74-2010, may be claimed as a deduction against income from touristic or touristic development activities for which the election was made.

**Lines 6 through 10** - Refer to the instructions on Schedule J Incentives, Exempt Businesses under Act 135-1997, Part II, lines 4 through 8.

**Line 12** - See instructions of Schedule L1 Incentives.

**Line 14 - Deduction for purchases of products manufactured in Puerto Rico**

Enter the amount of the deduction for the purchase of products manufactured in Puerto Rico equal to 15% of the purchases of such products, reduced by the average of the purchases of such products made during year 2000. This deduction is granted only for the purchases of products that had been manufactured by businesses not related to the exempt business. For purposes of the previous calculation, such purchases to non related businesses will be excluded from the total purchases of products manufactured in Puerto Rico made by the exempt business.

This deduction will be used only in the taxable year in which you earn the industrial development income against which the deduction is claimed and it cannot be carried forward to subsequent taxable years.

**Line 16 - Base period income**

Enter the base period income under Act 135-1997 or Act 73-2008, as reported in Part I of Schedule J Incentives.

**Line 17 - Exempt amount**

Enter the amount associated to the corresponding exemption according to the eligible activity carried out by the exempt business.

The activities of the Dairy Industry of Puerto Rico Inc. ("Industria Lechera de Puerto Rico Inc.") will be exempt from the payment of income tax as long as all the capital shares of the corporation belong to the Fund for the Promotion of the Dairy Industry ("Fondo para el Fomento de la Industria Lechera") created by Act No. 34 of June 11, 1957.

The Incentives Code provides an 90% exemption of the income that comes directly from a livestock or agro-industrial business. The exemption does not include income from interests, dividends, royalties or profits derived from the sale of assets, including assets used in the agricultural business, or any other income derived by the livestock or agro-industrial businesses from bona fide farmers and that does not come directly from the livestock or agro-industrial activity.

However, interests on bonds, promissory notes and other debt instruments issued as of January 1, 1996, by bona fide farmers and any financial institution, as the term is defined in Act No. 4 of October 11, 1985, as amended, known as the "Financial Institutions Commissioner Act", or issued in transactions authorized by the Financial Institutions Commissioner related to

the financing of livestock or agro-industrial businesses, will be covered by the exemption.

Enter in the space provided the exemption percentage to which you are entitled in accordance to the Concession under the Tourism Incentives Act or Tourism Development Act.

Multiply the net operating income from eligible activities subject to the computation, by the applicable exemption percentage. Enter the amount on this line.

The first five hundred thousand dollars (\$500,000) of net taxable income will be tax exempt for new businesses that operate under a young business agreement.

**Line 17(a)** - Enter in the space provided the exemption percentage to which you are entitled in accordance with your decree under Act No. 8 of 1987.

**Line 17(b)** - In case you have renegotiated the exemption decree under Act 135-1997 or Act 73-2008, use this space and enter the exemption percent you are entitled according to the renegotiated decree.

**PART II - COMPUTATION OF TAX**

In case of businesses with Entrepreneurship Activities decrees under Chapter 10 of the Incentives Code, any net income generated by new businesses in excess of five hundred thousand dollars (\$500,000), will be subject to the ordinary rates established in the Internal Revenue Code.

**Line 2 - Surtax net income deduction**

Enter \$25,000. If you have more than one operation covered under an exemption decree or partially exempt under a special act, or totally taxable income, you may claim only up to \$25,000 in the aggregate.

Also, if the entity is a member of a group of controlled entities, as defined in Section 1010.04 of the Internal Revenue Code, the credit will only apply to the controlled group. If an entity is a component member of a controlled group as of December 31, the credit allowed to said entity for the taxable year which includes such December 31, will be equal to \$25,000 divided among the number of entities that are component members of the controlled group. Nevertheless, the controlled group may elect, through an agreement, a different apportionment plan, as long as the total amounts distributed among the members of the group does not exceed \$25,000.

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

For additional information refer to Internal Revenue Informative Bulletin No. 12-01 of February 24, 2012.

**Line 4 - Normal tax**

**General Rule**

Indicate the corresponding tax rate and multiply it by the amount reflected on line 1 of this Part.

An 18.5% tax will be assessed, collected and paid on the net income subject to normal tax of every corporation.

\$225,001	-	\$275,000	\$36,750 plus 22% of the excess over \$225,000
-----------	---	-----------	--

In case that a rate lower than 18.5% is applicable, you must submit with the return copy of the agreement or any other official document showing the applicable tax rate.

\$275,001	-	or more	\$47,750 plus 23% of the excess over \$275,000
-----------	---	---------	--

An exempt business that is a New PYME in accordance with the provisions of the Incentives Code, will be subject to a fixed income tax rate of two percent (2%).

If the income is derived from operations covered under Act 78-1993, the surtax rate will be computed as follows:

**Businesses with exemption decree under Act 8 of 1987**

A business with an exemption decree in force under Act No. 8 of 1987, as general rule, determines the tax on the amount of taxable income, using the current tax rate enacted under the Internal Revenue Code. Therefore, the normal tax is 18.5%. In case of businesses which exemption decree under Act No. 8 of 1987 provides that the tax rate is the one in effect as of the signing or effective date of the decree, they must determine the normal tax at the 22% rate. Therefore, the taxpayer must check in the corresponding box the applicable tax rate.

If the net income subject to surtax is:	The tax shall be:
---	-------------------

\$0	-	\$75,000	6%
-----	---	----------	----

\$75,001	-	\$125,000	\$4,500 plus 16% of the excess over \$75,000
----------	---	-----------	--

\$125,001	-	\$175,000	\$12,500 plus 17% of the excess over \$125,000
-----------	---	-----------	--

\$175,001	-	\$225,000	\$21,000 plus 18% of the excess over \$175,000
-----------	---	-----------	--

\$225,001	-	\$275,000	\$30,000 plus 19% of the excess over \$225,000
-----------	---	-----------	--

\$275,001	-	or more	\$39,500 plus 20% of the excess over \$275,000
-----------	---	---------	--

**International Insurers**

Multiply the eligible activity net taxable income by the applicable tax rate, as determined in your decree. Enter the result on this line. Every International Insurer that receives a decree pursuant to Chapter 4 of the Incentives Code, will be subject to a four percent (4%) tax on the amount of its net income in excess of one million two hundred thousand dollars (\$1,200,000.00) not including the income from the Segregated Assets Plans established by the International Insurer.

If the income is derived from operations covered under Act 74-2010, the surtax will be computed as follows:

In addition, all Segregated Assets Plan of an International Insurer other than a Class 5 Authority, as such term is defined in Section 61.020 of the Insurance Code, will be subject to a four percent (4%) tax on the amount of the net income in excess of \$1,200,000, which will be paid exclusively with the funds of such Segregated Assets Plan.

If the net income subject to surtax is:	The tax shall be:
---	-------------------

\$0	-	\$75,000	5%
-----	---	----------	----

\$75,001	-	\$125,000	\$3,750 plus 15% of the excess over \$75,000
----------	---	-----------	--

\$125,001	-	\$175,000	\$11,250 plus 16% of the excess over \$125,000
-----------	---	-----------	--

\$175,001	-	\$225,000	\$19,250 plus 17% of the excess over \$175,000
-----------	---	-----------	--

\$225,001	-	\$275,000	\$27,750 plus 18% of the excess over \$225,000
-----------	---	-----------	--

\$275,001	-	or more	\$36,750 plus 19% of the excess over \$275,000
-----------	---	---------	--

**Line 5 - Surtax**

A business with an exemption decree in force under Act No. 8 of 1987, as general rule, determines the tax on the amount of taxable income, using the current tax rate enacted under the Internal Revenue Code. In these cases the surtax will be the following:

If the net income subject to surtax is:	The tax shall be:
\$0 - \$75,000	9%
\$75,001 - \$125,000	\$6,750 plus 19% of the excess over \$75,000
\$125,001 - \$175,000	\$16,250 plus 20% of the excess over \$125,000
\$175,001 - \$225,000	\$26,250 plus 21% of the excess over \$175,000

If the income is derived from partially exempt activities under Act No. 168 of 1968, Act No. 148 of 1988, Act 75-1995, Act



225-1995, Act 14-1996 or Act 178-2000, or from fully taxable activities, the surtax will be:

If the net income subject to surtax is:	The tax shall be:
\$0 - \$75,000	5%
\$75,001 - \$125,000	\$3,750 plus 15% of the excess over \$75,000
\$125,001 - \$175,000	\$11,250 plus 16% of the excess over \$125,000
\$175,001 - \$225,000	\$19,250 plus 17% of the excess over \$175,000
\$225,001 - \$275,000	\$27,750 plus 18% of the excess over \$225,000
\$275,001 - or more	\$36,750 plus 19% of the excess over \$275,000

**Line 7 - Alternative Tax - Capital Gains and Preferential Rates**

Enter the amount determined on line 9 of Schedule D1 Corporation - Income Tax Subject to Preferential Rates.

If the entity had during the taxable year net long-term capital gains in excess of net short-term capital losses, it may choose to pay the alternative tax.

The alternative tax is determined by taxing the net income, not including the long-term capital gain, at the normal tax rates plus the special rate that applies to such capital gain, as applicable.

**Line 9 - Credit for taxes paid to foreign countries, the United States, its states, territories, and possessions**

Enter the amount determined on line 6(c), Part IV of Schedule C Corporation (Credit for Taxes Paid to Foreign Countries, the United States, its States, Territories and Possessions).

**Line 11 - Alternative minimum tax in excess of the regular tax**

Enter the excess of the tentative minimum tax over the adjusted regular tax determined on Schedule A Incentives, Part V, line 39. This tax will be 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.

The alternative minimum tax is an additional tax that is imposed when the net income, adjusted for certain preferential items, exceeds the exempt amount of \$50,000. The tax rate of this tax is equal to 18.5% of such net income, but not less than \$500. However, corporations with volume of business equal to or more than ten million dollars (\$10,000,000) will be subject to a rate of 23%.

For additional information, please refer to Section 1022.03 of the Internal Revenue Code.

**Line 15 - Credit for alternative minimum tax paid in previous years**

In those cases in which the entity has paid an alternative minimum tax in previous years, it may claim it as a credit against the regular tax of taxable operations, as long as it meets certain requirements. To be eligible for this credit, the regular tax for the year must exceed the alternative minimum tax for such year and the alternative minimum tax must have been paid in previous years. Enter on this line the amount of credit determined on line 4, Part VI of Schedule A Incentives.

**Line 18 -Branch profits tax**

In addition to other taxes imposed by the Internal Revenue Code, those foreign corporations engaged in trade or business in Puerto Rico that operate as branches, will be subject to a 10% tax over the dividend equivalent amount or profit distribution for the taxable year.

This provision will not apply to any taxable year in which foreign corporations engaged in trade or business in Puerto Rico derive at least 80% of their gross income, during the 3-year period ending with the close of such taxable year, from Puerto Rico sources income or income related or treated as actually related to the operation of a trade or business in Puerto Rico.

Corporations subject to this tax must complete Form AS 2879 (Foreign Corporations and Partnerships Tax on Dividend Equivalent Amount and Effectively Connected Interest (Branch Profits Tax)) and submit it with their return. For more details, refer to the form instructions.

**Line 19 - Deemed dividend tax**

For taxable years beginning after December 31, 2013, a 10% tax will be assessed, collected and paid, without taking into consideration any deduction or credit provided by Subtitle A of the Internal Revenue Code, on the amount of the deemed dividend, which is considered to have been received by a foreign owner (who owns directly or indirectly 50% or more of the shares of the corporation) of a corporation, during any taxable year.

**Corporations subject to this tax must complete Form AS 2877 (Deemed Dividend Tax) and submit it with their return. For more details, refer to the form instructions.**

**PART III - SPECIAL SURTAX SECTION 3(A) OF ACT 8 OF 1987**

This special surtax applies to every entity that has derived a total gross industrial development income of more than \$1,000,000 during the taxable year. For purposes of this computation, the term gross industrial development income includes the following:

- 1) Income derived from certain eligible investment activities under Section 2(j).
- 2) The net income derived from the sale of patents, royalties or any other entitlement to receive income, related to





activities or intangible property resulting from exempt operations under Act No. 8 of 1987.

- 3) The income derived from insurance policies for business interruption, as long as there is no reduction on the job employment level in the exempt business as a result of the action that led to the collection of such income.

The tax will be .00075 of the sales volume of the exempt business, but never more than half of one percent (.005) of the net industrial development income.

### Line 8 - Balance of tax due

If you filed the return after the due date established by the Internal Revenue Code to file it or you requested an extension of time, but you did not pay the total amount due, you must compute the applicable interests and surcharges from the due date to file the return to the date on which the payment was made. Refer to the Interests, Surcharges and Penalties section.

### Line 9 - Amount paid with this return

The payment must be made by check or money order payable to the Secretary of the Treasury. Indicate the employer identification number, Form 480.30(II) and the taxable year to which the payment corresponds.

If you decide to pay in cash, debit card or credit card (Visa or Mastercard), you can do it at any of our Internal Revenue Collections Offices. Make sure to keep the official payment receipt provided by the Collector.

The Special Surtax must be paid to the Secretary of the Treasury in a separate check attached to the Income Tax Return.

You can also make payments electronically through SURI.

The payment methods available to make any transaction in SURI are the following: 1) credit card Visa or Mastercard, 2) ACH Debit (Direct Debit) and 3) ACH Credit. For more information on payment methods for transactions in SURI, refer to Internal Revenue Informative Bulletin No. 20-03: Payment methods accepted in transactions through the Internal Revenue Integrated System.

## PART IV - CONDITIONS THAT EXONERATE FROM THE PREPAYMENT OF TOLLGATE TAX

Complete this questionnaire if the entity derives income from partially exempt activities under Act No. 8 of 1987. As a general rule, every entity operating under this act must prepay a 5% tollgate tax on the industrial development income (IDI).

If the entity is not subject to the tollgate tax prepayment, please check the applicable box. In case that the tax exemption decree provides and establishes special rules for the distribution and taxation of the IDI, you must attach to the return a schedule indicating such rules.

## PART V - COMPUTATION OF PREPAYMENT OF TOLLGATE TAX

### Line 2 - Adjustments

Enter on line 2(a) the interest income from eligible investments (Section 2(j)) derived from obligations issued by the Government of Puerto Rico, its instrumentalities or political subdivisions.

Enter on line 2(b) any adjustments required to determine the amount of IDI that constitutes income and profits available for dividend distribution. You must submit a detailed schedule. For example:

- 1) Expenses incurred but not deductible (i.e. meal and entertainment, charitable contributions, etc.)
- 2) Income earned but not taxed on the return (i.e. proceeds from life insurance when the beneficiary of the policy is the corporation, etc.)
- 3) Special deductions granted by Law which do not represent a cash disbursement (i.e. deduction of \$400 for each severely handicapped employee, etc.)

### Line 4(c) - Other taxes

Enter on line 4(c) any tax paid to the United States, its states, possessions and foreign countries attributable to the IDI. You must submit with the return evidence of the tax paid claimed as a credit, such as a copy of the federal income tax return.

### Line 6 - Determination of prepayment of tollgate tax

Enter in the corresponding box the 5% tax rate, unless the entity's decree provides for special distribution rules and it has been convened through a Closing Agreement with the Secretary to pay 50% of the applicable rate. Multiply line 5 by the applicable tax rate and enter the amount on this line.

### Line 7 - Dividends declared from current earnings

Enter the amount of dividends declared and paid related to earnings accrued during the current year.

### Line 8 - Prepayment of tollgate tax attributable to current earnings

Enter 5% of line 7. If the entity is subject to a tollgate tax rate lower than 10% because its decree provides special distribution rules, and it has been convened through a Closing Agreement with the Secretary to prepay 50% of the aforementioned tollgate tax, you must enter 50% of your tax rate in the space indicated and determine the applicable tollgate tax prepayment.

### Line 10(b) - Other credits

Any business exempt under Act No. 8 of 1987, including those covered under previous laws, that invests in Puerto Rico part of its IDI for a particular taxable year in plant expansion, purchases of products manufactured in Puerto Rico, research and development of new products or industrial processes and in eligible activities under Section 2(j), is entitled to a credit against the tax, but subject to certain terms and conditions. For additional details, refer to Section 4(b) and (d) of said act.

Also, if the parent company of an exempt business is under Federal Bankruptcy proceedings, the exempt business is entitled to claim a credit against the payment of income tax and tollgate tax, subject to the compliance with certain conditions. For additional information, refer to Section 3(a)(3) of Act No. 8 of 1987.

**Line 11 - Total prepayment of tollgate tax**

This tax shall be paid to the Secretary of the Treasury in a separate check attached to the Income Tax Return.

**Every entity that requests an extension of time to file the income tax return, must include the payment of the Prepayment of Tollgate Tax with said request, in a separate check.**

Any payment made after the due date, is subject to interests and surcharges. If you filed the return after the due date established by the Internal Revenue Code to file it or you requested an extension of time, but you did not pay the total amount due, you must compute the applicable interests and surcharges from the due date to file the return to the date on which the payment was made. Refer to the Interests, Surcharges and Penalties section.

**Line 12 - Tollgate tax applied against the tax withheld attributable to current year distribution**

Enter the amount prepaid during the year on which you elected to apply the total prepaid tax, if the tax determined over the distributed industrial development income is equal to or more than the prepaid amount.

**Line 15 - Balance of tax due**

If you filed the return after the due date established by the Internal Revenue Code to file it or you requested an extension of time, but you did not pay the total amount due, you must compute the applicable interests and surcharges from the due date to file the return to the date on which the payment was made. Refer to the Interests, Surcharges and Penalties section.

**Line 16 - Amount paid with this return**

Enter the amount paid with the return.

**Line 17 - Amount overpaid to be credited to estimated prepayment of tollgate tax for next year**

Any overpayment of this tax will be credited only against the estimated prepayment of tollgate tax of the following year.

**SCHEDULE M INCENTIVES - INCOME TAX FROM FULLY TAXABLE OPERATIONS**

This schedule must be used to report fully taxable activities.

**PART I - NET INCOME SUBJECT TO TAX**

**Lines 2 through 6** - Refers to the instructions of Schedule J Incentives, Exempt Businesses under Act 135-1997, Part II, lines 4 through 8.

**Line 8 - Dividends received from domestic corporations**

Enter 85% of the amount received as dividends from a domestic corporation subject to tax under the Internal Revenue Code, but limited to 85% of the net income of the corporation.

If the dividend received is a result of industrial development income ("IDI") derived from operations covered under the provisions of Act No. 57 of 1963, the deduction will be 77.5% of

the amount received, but limited to 77.5% of the net income subject to tax.

The 77.5% deduction does not apply to dividend distributions from income derived from operations covered under Act 78-1993, as amended, or Act No. 8 of 1987, as amended.

However, the Internal Revenue Code provides the following exceptions:

- 1) In case of a small business investment company operating in Puerto Rico under the Small Business Investment Act of 1958 (enacted by the US Congress), there shall be allowed as a deduction an amount equal to 100% of the total amount received as dividends from a domestic corporation taxable under the Internal Revenue Code.
- 2) Subject to certain requirements imposed by the Internal Revenue Code, a deduction will be granted against the net income, equal to 100% of the total amount received as dividends from corporations organized under the laws of any state of the United States or the Government of Puerto Rico, which principal source is derived from IDI accrued during taxable years beginning prior to January 1, 1993 and invested in obligations of the Government of Puerto Rico, its instrumentalities or political subdivisions, or invested in mortgages insured 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 Government of Puerto Rico.
- 3) A 100% deduction will be granted against the net income of the total amount received as dividends by corporations organized under the laws of any state of the United States or the Government of Puerto Rico, which principal source is derived from IDI accrued during taxable years beginning prior to January 1, 1993 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% deduction will be granted against the net income of the total amount received as dividends from a domestic controlled corporation.

**PART II - COMPUTATION OF TAX****Line 1 - Normal Tax**

Indicate the corresponding tax rate and multiply it by the amount shown on line 9, Part I.

A 18.5% tax from the net income subject to normal tax of every corporation will be assessed, collected and paid.

In case that a rate of less than 18.5% is applicable, you must submit with the return, copy of the agreement or any other official document that evidences said applicable tax rate.

In case of corporations with fully eligible activity, or in periods in which they choose not to use the benefits of the tax exemption decree granted under the Incentives Code, and whose source

of income comes substantially from the rendering of services, may choose to an optional tax in lieu of the normal tax, surtax and alternative minimum tax.

If you chose said optional tax, check the Optional tax box and enter the amount determined on Schedule X Corporation, Part II, line 4. Use Schedule X Corporation to determine the amount to include on this line (see instructions for Schedule X Corporation).

## Line 2 - Surtax

For purpose of the surtax, a deduction of \$25,000 will be granted, except in case that the entity belongs to a group of controlled corporations owned directly or indirectly in 80% or more by the same person or persons. In such cases, the allowable deduction will only be \$25,000 for the entire group of entities. If the entity is a component member of a controlled group of corporations as of December 31, the allowable credit to such corporation for the taxable year that includes such December 31, will be an amount equal to \$25,000 divided by the number of entities that are component members of the group or the applicable amount according to the apportionment plan.

The group of entities must file Form AS 2652.1 where it will report the distribution of the deduction. This form will be filed electronically through SURI.

Subtract \$25,000 from line 9, Part I and multiply by the applicable tax rate, according to the table included below and enter the result.

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

## Line 4 - Alternative Tax - Capital Gains and Preferential Rates

Enter the amount determined on line 9 of Schedule D1 Corporation (Income Tax Subject to Preferential Rates).

If, during the taxable year, the entity derives net long-term capital gains in excess of net short-term capital losses, it may choose to pay the alternative tax. The alternative tax is determined by taxing the net income, excluding the long-term capital gains, at the normal tax rates plus the special rate that applies to such gains.

## Line 6 - Credit for taxes paid to foreign countries, the United States, its states, territories, and possessions

Enter the amount determined on line 6(c), Part IV of Schedule C Corporation (Credit for Taxes Paid to Foreign Countries, the United States, its States, Territories and Possessions).

## Line 8 - Alternative minimum tax in excess of the regular tax

Enter the excess of the tentative minimum tax over the adjusted regular tax determined on Schedule A Incentives, Part V, line 39.

This tax will be 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.

The alternative minimum tax is an additional tax that is imposed when the net income, adjusted for certain preferential items, exceeds the exempt amount of \$50,000. The tax rate of this contribution is equal to 18.5% of such net income, but not less than \$500. However, corporations with a volume of business equal to or more than ten million dollars (\$10,000,000) will be subject to a tax rate of 23%.

For additional information, please refer to Section 1022.03 of the Internal Revenue Code.

## Line 11 - Credit for alternative minimum tax paid in previous years

In those cases in which the entity has paid an alternative minimum tax on the income derived from fully taxable operations in previous years, it can claim it as a credit against the regular tax on taxable operations, as long as it meets certain requirements. To be eligible for this credit, the regular tax for the year must exceed the alternative minimum tax for said year and the alternative minimum tax must have been paid in previous years. Enter on this line the amount of credit determined on line 4, Part VI of Schedule A Incentives.

## Line 14 - Branch profits tax

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

This provision must not apply to any taxable year in which foreign corporations engaged in trade or business in Puerto Rico derive at least 80% of their gross income, during the 3-year period ending with the close of said taxable year, from Puerto Rico source income or income related or treated as actually related to the operation of an industry or business in Puerto Rico.

**Corporations subject to this tax must complete Form AS 2879 and submit it with their return. For more details, refer to the form instructions.**

## Line 15 - Deemed dividend tax

For taxable years beginning after December 31, 2013, a 10% tax will be assessed, collected and paid, without taking into



consideration any deduction or credit provided by Subtitle A of the Internal Revenue Code, on the amount of the deemed dividend, which is considered to have been received by a foreign owner (who owns directly or indirectly 50% or more of the shares of the corporation) of a corporation, during any taxable year.

**Corporations subject to this tax must complete Form AS 2877 and submit it with their return. For more details, refer to the form instructions.**

### **PART III - DETERMINATION OF GROSS OPERATING INCOME**

Enter on line 12 the net capital gain and on line 13 the net gain (or loss) on the sale or exchange of property that is not a capital asset. To determine the amount to include on both lines, use Schedule D Corporation (see instructions for Schedule D Corporation).

Enter on line 14 the rental income. If the rental income comes from the lease of a New Construction Property or Residential-type Qualified Property, it is totally exempt pursuant to the provisions of Act 132-2010, as amended. This exemption applies from January 1, 2011 onwards until December 31, 2025, regardless of the date on which the contract was signed.

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

Enter on line 17 the income received from any distributable share on profits from pass-through entities and on line 18 the result of the distributable share on net income subject to preferential rates from pass-through entities, as reported on line 7 of Part III of Form 480.60 EC. Use Schedules R and R1 Corporation to determine the amount to include on these lines. (See instructions for Schedules R and R1 Corporation).

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

Those activities not covered by a decree will be considered taxable operations and will be subject to the ordinary rates established in the Internal Revenue Code. Therefore, the provisions applicable to allowable deductions must be considered for the determination of the net income subject to regular tax, as well as the alternative minimum tax.

Section 1022.04 of the Internal Revenue Code establishes that to determine the alternative minimum net income subject to the alternative minimum tax, only certain items may be claimed against the gross income and subject to the fact that some of them are evidenced with informative returns or have been validated with an Agreed-Upon Procedures Report. For these purposes, two columns are provided to indicate the allowable deductions against the net income subject to regular tax and the allowable deductions for purposes of the alternative minimum tax, respectively.

In the case of those deductions that must be reported on informative returns (Section A of this Part), those taxpayers with a natural taxable year and who use the cash basis method, may include the amount of expenses reported in the informative returns issued for taxable year 2023 as an allowable deduction for the determination of the net income subject to regular tax, as well as the alternative minimum tax. In case of the regular tax, you may deduct those payments for services not reported on

informative returns because they did not exceed \$500 during the taxable year. However, said payments may only be deductible to determine the net income subject to alternative minimum tax if they were included in a duly filed informative return.

In case of taxpayers who use the accrual basis method or whose taxable year is a fiscal year, they must reconcile, in accordance with the provisions of Section 1063.01(a) of the Internal Revenue Code, the amount reported on the duly filed informative returns, with the expense claimed as a deduction on the return. In these cases, the taxpayer may claim as a deduction the amount of expense recorded in their books for purposes of regular tax and alternative minimum tax. For these purposes, refer to the expense reconciliation templates available through your tax return preparation program provider or on the Department's website through the following link: <https://hacienda.pr.gov/documentos/2023-planilla-de-contribucion-sobre-ingresos-de-corporaciones>. You must complete a reconciliation detail that includes the allowable expenses provided in this section for each column, Regular Tax column and Alternative Minimum Tax column, separately. This reconciliation will not be required in case that the taxpayer submits, together with its income tax return, audited financial statements in accordance with the provisions of Section 1061.15(a) of the Internal Revenue Code and files the Supplementary Information required in Section 1061.15(b) of such Code.

To claim any amount included on lines 35 through 59 (Section C of this Part) as an allowable deduction for determining the net income subject to alternative minimum tax, and in the event that the return is not submitted including audited financial statements in accordance with the provisions of Section 1061.15(a) of the Internal Revenue Code together with the Supplementary Information required in Section 1061.15(b) of such Code, you must submit an Agreed-Upon Procedures Report together with your income tax return, in accordance with the provisions of IR CL 19-14. You must check the oval of ("AUP") provided on the line corresponding to each deduction that is validated in the AUP included with the return. Only those expense items that have been submitted to the AUP may be deductible for the alternative minimum tax. If you do not select the corresponding oval, and do not submit the AUP, you will not be able to claim the deductions provided in this section for purposes of determining the net income subject to alternative minimum tax.

For specific instructions of a particular line of this Part IV, refer to the section of General Instructions for Schedules J, K, L and M Incentives.

## **GENERAL INSTRUCTIONS FOR SCHEDULES J1 AND L1 INCENTIVES - COMPUTATION OF THE SPECIAL DEDUCTIONS**

### **PART I - COMPUTATION OF THE SPECIAL DEDUCTIONS**

Use these schedules to determine the special deductions to which you are entitled: payroll deduction, human resources training and improvement expenses deduction, research and development expenses deduction, and special deduction for investment on buildings, structures, machinery and equipment.

#### **PAYROLL DEDUCTION**

#### **Schedule J1 Incentives - Computation of the Special Deductions for Exempt Businesses Engaged to Industrial Development**



In addition to other deduction provided by law, every exempt business with a decree granted under this act engaged in the manufacture and that generates a net income from its exempt operations (computed without taking into consideration the benefit of the special deductions provided in Section 4 of Act 135-1997) of less than \$30,000 per production job, will be allowed to claim a special payroll deduction equivalent to 15% of the production payroll of the exempt business, up to 50% of the IDI, computed without the benefit of the production payroll special deduction.

The exempt business that has a decree granted under this act engaged in manufacture, which IDI computed without the benefit of the special deductions provided in Section 4 on any taxable year is less than \$500,000, and that has kept an average employment of 15 or more persons during said taxable year, may deduct the first \$100,000 of said income in order to be totally exempt from the payment of the IDI fixed tax rate provided in Section 3(a) of this act. For additional information, refer to Section 4(a) of Act 135-1997.

### **Schedule L1 Incentives - Computation of the Special Deductions for Partially Exempt Businesses under Act 8 of 1987**

Enter the larger of the following amounts, as applicable:

**(1)** 5% of the total production payroll up to 50% of the net industrial development income, if the eligible business:

- a) enjoyed industrial tax exemption under any of the previously mentioned industrial incentives acts and said tax exemption was authorized prior to January 1, 1985, and then converted its decree to the provisions of Act No. 8 of 1987 for the remaining part of its exemption period; or
- b) was operating in Puerto Rico under a decree as of January 1, 1985 and subsequently obtained a new decree covering previously exempt operations based on negotiations in view to special conditions, and then requests to convert its new decree under Act 8 of 1987.

**(2)** 15% of the production payroll up to 50% of your net industrial development income, if in any taxable year you generate a net income from exempt operations of less than \$30,000 per production job and said eligible business:

- a) enjoys tax exemption under a new decree issued under Act No. 8 of 1987; or
- b) has a tax exemption decree issued after December 31, 1984, but has not enjoyed tax exemption prior to that date, and converted said decree under Act No. 8 of 1987 for the remaining part of the exemption period originally granted.

For these purposes, the production payroll shall include the salaries of personnel directly related to the manufacture of the exempt product, excluding executive salaries and any payment for professional services rendered through contract to the exempt business by independent firms.

The net income per production job will be obtained by dividing the net industrial development income derived from the exempt operation, by the number of production jobs reflected on the production payroll.

**(3)** Enter the first \$100,000 if the net industrial development income is less than \$500,000 and the business has kept an employment average of 15 persons or more during said taxable year.

The exempt business that claims this deduction, will not be able to enjoy the deductions previously indicated in items (1) and (2).

If the exempt business is controlled in more than 50% by stockholders or corporations in common, with the consent of the Secretary, it may decide in the manner in which all or part of the \$100,000 deduction shall be assigned among one or more of the controlled exempt businesses.

### **HUMAN RESOURCES TRAINING AND IMPROVEMENT EXPENSES DEDUCTION**

A special deduction will be allowed for training expenses incurred to improve the productivity and quality control, to promote total quality management and to improve employees communication skills, incurred in excess of the annual average of said expenses during the 3 taxable years ended prior to January 1, 1998.

### **RESEARCH AND DEVELOPMENT EXPENSES DEDUCTION**

A special deduction will be allowed equal to the expenses incurred in the research and development of new products or industrial processes, or the improvement of said products and processes, that are deductible in the taxable year under the Code (subject to certain limitations).

### **SPECIAL DEDUCTION FOR INVESTMENT ON BUILDINGS, STRUCTURES, MACHINERY AND EQUIPMENT**

Every exempt business that has a decree granted under Act 135-1997, may elect to deduct, on the taxable year incurred, in lieu of any expense capitalization required by the Internal Revenue Code, the total expense incurred, after the effective date of such act, in the purchase, acquisition or construction of buildings, structures, machinery and equipment, as long as said buildings, structures, machinery and equipment have not been previously used or depreciated by any other business or person in Puerto Rico, and are used in the manufacture of products or to render the services for which said benefits were provided under the act.

**Line 9** - In those cases in which the exempt business is allowed to claim more than one of the special deductions mentioned before, and the sum of said deductions, after determining the amount that is allowed before taking into consideration the limitation based on the IDI, results in an excess of the IDI for said year, or that the exempt business cannot claim the total benefit of said deduction for said year, it will determine the limitation of the special deductions following the order indicated in Part II.

### **SCHEDULE L2 INCENTIVES - DETERMINATION OF TAX FROM SEGREGATED ASSETS PLANS OF AN INTERNATIONAL INSURER**

This schedule must be used to compute the tax determined of the Segregated Assets Plan of an International Insurer. In addition, it is important to establish that for each plan, a Schedule L2 Incentives must be completed. As an example, if the taxpayer has two (2) segregated asset plans, then this return must include two (2) Schedules L2 Incentives.

This schedule only applies to segregated asset plans of international insurers. Therefore, financial entities should not complete and include Schedule L2 Incentives with their return.

The rules that apply to this schedule are the same as those used in Parts VI and VII of Schedule L Incentives.

### SCHEDULE T INCENTIVES - ADDITION TO THE TAX FOR FAILURE TO PAY ESTIMATED TAX IN CASE OF BUSINESSES WITH TAX EXEMPTION DECREES

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 1** - Add lines 1, 2, 6 and 9 of Part III, and the greater of lines 3 and 4 of Part IV of Schedule J Incentives; lines 1, 2 and 3 of Part III of Schedule K Incentives; lines 8, 11, 12 and 14 of Part II of Schedule L Incentives; and lines 5, 8 and 10 of Part II of Schedule M Incentives.

**Line 2** - Include the total of all withholdings and credits provided in the Internal Revenue Code or special acts for the taxable year, **including the tax paid in excess not refunded corresponding to the previous taxable year**. Add lines 5, 6(a), 6(b), 6(c), 7 and 8(a) through 8(d) of Part II of Schedule B Incentives; lines 4 and 7 of Part III and lines 2(d) and 5 of Part IV of Schedule J Incentives; line 4 of Part III of Schedule K Incentives; lines 9 and 16 of Part II of Schedule L Incentives; and lines 6, 11 and 12 of Part II of Schedule M Incentives.

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

**Line 5** - Include on this line the tax determined as reflected in the income tax return that you completed the previous year, as applicable.

#### PART II - ADDITION TO THE TAX FOR FAILURE TO PAY

##### Section A - Failure to Pay

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

**Line 8** - If the obligation to pay estimated tax was met **for the first time** before the first day of the fourth month of the taxable year, enter in each of the Columns 25% of line 7. If the obligation 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 obligation 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 Columns (c) and (d) 50% of line 7. If the obligation 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 calculation of the estimated tax, enter the amount of the installment according to the corresponding change.

**Line 9** - Enter in Column (a) the amount of estimated tax paid no later than April 15 of the taxable year (or 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 (or the 15th day of the fourth month of the taxable year if you have a fiscal year) and no later than June 15 of the taxable year (or 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 (or the 15th day of the sixth month of the taxable year if you have a fiscal year) and no later than September 15 of the taxable year (or 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 (or the 15th day of the ninth month of the taxable year if you have a fiscal year) and no later than December 15 of the taxable year (or on the 15th day of the twelfth month of the taxable year if you have a fiscal year).

**Line 10** - If several 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 amount to be entered in Columns (b), (c) and (d), you must complete lines 11 through 17 of the previous column.

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

##### Section B - Penalty

**Line 18** - A 10% penalty 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.

### SCHEDULE CC - CHARITABLE CONTRIBUTIONS

Use this Schedule to determine the deduction for contributions made to eligible nonprofit organizations that you claim in your return. It provides to break them down between:

- (1) Made directly by the taxpayer;
- (2) From the operations of a disregarded entity; and
- (3) Made through pass-through entities.

You must provide a detail of each contribution you have made during the year, as well as to keep evidence of payment for your records.

Enter in Parts I and II the name of the person or institution to whom the payment was made, the employer identification number of such person or institution, the nature of the organization and the amount of the contribution made. In addition to the information previously indicated, you must include in Part III the taxable year, control number and electronic filing confirmation number of the Informative Return, and the name and employer identification number of the pass-through entity. If you need additional space to those provided in Parts I, II and III, please submit detail.

## PART IV - CALCULATION OF THE DEDUCTION FOR CHARITABLE CONTRIBUTIONS

Only one Schedule CC Charitable Contributions will be included with this return.

**Line 2** - The amount of contributions carried forward from previous years to be included on this line must be limited to 10% of the corporation's net income computed without the benefit of this deduction, for each taxable year in which the contributions were made, as provided in Section 1033.10 of the Internal Revenue Code.

**Line 4** - Enter on this line the 10% of the total net income from activities that claim the deduction for charitable contributions. In this case the net income will be determined without considering the deduction for charitable contributions as follows:

- Line 12, Part V less lines 20, 32 and 54, Part VI of Schedule J Incentives.
- Line 12, Part IV less lines 20, 32 and 54, Part V of Schedule K Incentives.
- Line 16, Part VI less lines 20, 32 and 54, Part VII of Schedule L Incentives.
- Line 8, Part I less lines 20, 32 and 54, Part II of Schedule L2 Incentives.
- Line 27, Part III less lines 21, 34 and 57, Part IV of Schedule M Incentives.

The amount claimed as a deduction in each of the Schedules J, K, L, L2 and M Incentives cannot exceed the total amount determined on line 5, Part IV of this Schedule CC.

For additional information, refer to the General Instructions for Schedules J, K, L and M Incentives, line 55.

### DUTY TO PAY ESTIMATED TAX

According to the provisions of Section 1061.23 of the Internal Revenue Code, every corporation engaged in trade or business in Puerto Rico, subject to tax under the provisions of Subtitle A of the Internal Revenue Code, must pay an estimated tax for the taxable year.

### ESTIMATED TAX COMPUTATION

The estimated tax computation will be made using an approximate computation of the gross income that can reasonably be expected to be received or earned by the corporation, as applicable, depending on the accounting method used to determine the net income, and an approximate calculation of the deductions and credits provided by the Internal Revenue Code or special acts, including the non-refunded tax paid in excess in 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.

Estimated tax installments will be paid electronically through SURI.

### 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

Section 6041.10 of the Internal Revenue Code establishes 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 no tax determined was reflected, without taking into consideration any credits to which it 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 states, territories and possessions, or any foreign country to which you are entitled.

## INDUSTRIAL CODES

<b>11 Agriculture, forestry, fishing and hunting</b>	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 Drugists' 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 Cement and Concrete Product Manufacturing	<b>44-45 Retail Trade</b>
1132 Forest Nurseries and Gathering of Forest Products	3273 Lime and Gypsum Product Manufacturing	4411 Automobile Dealers
1133 Logging	3274 Iron and Steel Mills and Ferroalloy 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 Steel Product Manufacturing from Purchased Steel	4421 Furniture Stores
1151 Support Activities for Crop Production	3312 Alumina and Aluminum Production and Processing	4422 Home Furnishings Stores
1152 Support Activities for Animal Production	3313 Nonferrous Metal (except Aluminum) Production and Processing	4431 Electronics and Appliance Stores
1153 Support Activities for Forestry	3315 Foundries	4441 Building Material and Supplies Dealers
<b>21 Mining</b>	3321 Forging and Stamping	4442 Lawn and Garden Equipment and Supplies Stores
2121 Coal Mining	3322 Cutlery and Hand Tool Manufacturing	4451 Grocery Stores
2122 Metal Ore Mining	3323 Architectural and Structural Metals Manufacturing	4452 Specialty Food Stores
2123 Nonmetallic Mineral Mining and Quarrying	3324 Boiler, Tank, and Shipping Container Manufacturing	4453 Beer, Wine, and Liquor Stores
2131 Support Activities for Mining	3325 Hardware Manufacturing	4471 Health and Personal Care Stores
<b>22 Utilities</b>	3326 Spring and Wire Product Manufacturing	4471 Gasoline Stations
2211 Electric Power Generation, Transmission and Distribution	3327 Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	4481 Clothing Stores
2212 Natural Gas Distribution	3328 Coating, Engraving, Heat Treating, and Allied Activities	4483 Jewelry, Luggage, and Leather Goods Stores
2222 Water Distribution	3329 Other Fabricated Metal Product Manufacturing	4511 Sporting Goods, Hobby, and Musical Instrument Stores
<b>23 Construction</b>	3331 Agriculture, Construction, and Mining Machinery Manufacturing	4512 Book, Periodical, and Music Stores
2331 Land Subdivision and Land Development	3332 Industrial Machinery Manufacturing	4521 Department Stores
2333 Nonresidential Building Construction	3333 Commercial and Service Industry Machinery Manufacturing	4529 Other General Merchandise Stores
2341 Highway, Street, Bridge, and Tunnel Construction	3334 Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing	4531 Florists
2349 Other Heavy Construction	3335 Metalworking Machinery Manufacturing	4532 Office Supplies, Stationery, and Gift Stores
2351 Plumbing, Heating, and Air-Conditioning Contractors	3336 Engine, Turbine, and Power Transmission Equipment Manufacturing	4533 Used Merchandise Stores
2352 Painting and Wall Covering Contractors	3339 Other General Purpose Machinery Manufacturing	4539 Other Miscellaneous Store Retailers
2353 Electrical Contractors	3341 Computer and Peripheral Equipment Manufacturing	4541 Electronic Shopping and Mail-Order Houses
2355 Carpentry and Floor Contractors	3342 Communications Equipment Manufacturing	4542 Vending Machine Operators
2356 Roofing, Siding, and Sheet Metal Contractors	3343 Audio and Video Equipment Manufacturing	4543 Direct Selling Establishments
2357 Concrete Contractors	3344 Semiconductor and Other Electronic Component Manufacturing	<b>48-49 Transportation and Warehousing</b>
2358 Water Well Drilling Contractors	3345 Navigational, Measuring, Electro medical, and Control Instruments Manufacturing	4811 Scheduled Air Transportation
2359 Other Special Trade Contractors	3346 Manufacturing and Reproducing Magnetic and Optical Media	4812 Nonscheduled Air Transportation
<b>31-33 Manufacturing</b>	3351 Electric Lighting Equipment Manufacturing	4821 Rail Transportation
3111 Animal Food Manufacturing	3352 Household Appliance Manufacturing	4831 Deep Sea, Coastal, and Great Lakes Water Transportation
3112 Grain and Oilseed Milling	3353 Electrical Equipment Manufacturing	4832 Inland Water Transportation
3113 Sugar and Confectionery Product Manufacturing	3359 Other Electrical Equipment and Component Manufacturing	4841 General Freight Trucking
3115 Dairy Product Manufacturing	3361 Motor Vehicle Manufacturing	4842 Specialized Freight Trucking
3116 Animal Slaughtering and Processing	3362 Motor Vehicle Body and Trailer Manufacturing	4851 Urban Transit Systems
3117 Seafood Product Preparation and Packaging	3363 Motor Vehicle Parts Manufacturing	4852 Interurban and Rural Bus Transportation
3118 Bakeries and Tortilla Manufacturing	3364 Aerospace Product and Parts Manufacturing	4853 Taxi and Limousine Service
3119 Other Food Manufacturing	3365 Railroad Rolling Stock Manufacturing	4855 Charter Bus Industry
3121 Beverage Manufacturing	3366 Ship and Boat Building	4859 Other Transit and Ground Passenger Transportation
3122 Tobacco Manufacturing	3369 Other Transportation Equipment Manufacturing	4861 Pipeline Transportation of Crude Oil
3132 Fabric Mills	3370 Office Furniture (including Fixtures) Manufacturing	4862 Pipeline Transportation of Natural Gas
3133 Textile and Fabric Finishing and Fabric Coating Mills	3379 Other Furniture Related Product Manufacturing	4871 Scenic and Sightseeing Transportation, Land
3141 Textile Furnishings Mills	3399 Other Miscellaneous Manufacturing	4881 Support Activities for Air Transportation
3149 Other Textile Product Mills	<b>42 Wholesale Trade</b>	4882 Support Activities for Rail Transportation
3151 Apparel Knitting Mills	4211 Motor Vehicle and Motor Vehicle Parts and Supplies	4884 Support Activities for Water Transportation
3152 Cut and Sew Apparel Manufacturing	4212 Furniture and Home Furnishing	4885 Freight Transportation Arrangement
3159 Apparel Accessories and Other Apparel Manufacturing	4213 Lumber and Other Construction Materials	4889 Other Support Activities for Transportation
3161 Leather and Hide Tanning and Finishing	4214 Professional and Commercial Equipment and Supplies	4911 Postal Service
3162 Footwear Manufacturing	4215 Metal and Mineral (except Petroleum)	4921 Couriers
3169 Other Leather and Allied Product Manufacturing	4216 Electrical Goods	4922 Local Messengers and Local Delivery
3211 Sawmills and Wood Preservation	4217 Hardware, and Plumbing and Heating Equipment and Supplies	<b>51 Information</b>
3212 Veneer, Plywood, and Engineered Wood Product Manufacturing	4218 Machinery, Equipment, and Supplies	5111 Newspaper, Periodical, Book, and others Publishers
3222 Converted Paper Product Manufacturing		5112 Software Publishers
3231 Printing and Related Support Activities		
3241 Petroleum and Coal Products Manufacturing		



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
<b>52 Finance and Insurance</b>	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	<b>71 Arts, Entertainment, and Recreation</b>
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
<b>53 Real Estate and Rental and Leasing</b>	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	<b>72 Accommodation and Food Services</b>
5324 Commercial and Industrial Machinery and Equipment Rental and Leasing	7211 Traveler Accommodation
5331 Lessors of Non financial Intangible Assets (except Copyrighted Works)	7212 Recreational Vehicle Parks and Camps
<b>54 Professional, Scientific, and Technical Services</b>	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	<b>81 Other Services (except Public Administration)</b>
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
<b>55 Management of Companies and Enterprises</b>	8121 Personal Care Services
5511 Management of Companies and Enterprises	8122 Death Care Services
<b>56 Administrative and Support and Waste Management and Remediation Services</b>	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	
<b>61 Educational Services</b>	
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	
<b>62 Health Care and Social Assistance</b>	
6211 Offices of Physicians	
6212 Offices of Dentists	
6213 Offices of Other Health Practitioners	



GOVERNMENT OF PUERTO RICO  
DEPARTMENT OF THE TREASURY  
PO BOX 9024140  
SAN JUAN PR 00902-4140

**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.