

ELIGIBLE DEPENDENTS' CARE CREDIT

Taxable year beginning on _____, _____ and ending on _____, _____

2021

Taxpayer's name _____

Social Security Number _____

Part I Persons or Organizations who Provided the Care Services for Eligible Dependents

1. Provide the following information:

(A) Name of the person or organization who provided the care services	(B) Physical address	(C) Employer Identification Number or Social Security Number	(D) Amount paid for care services
			00
			00
			00
			00
			00
			00
			00
			00
			00
			00
			00
			00
			00
			00

Part II Determination of Eligible Expenses Maximum Amount

2. Information of the eligible dependent for whom the refundable credit is claimed

(A) Eligible dependent's name	(B) Eligible dependent's Social Security number	(C) Relationship	(D) Identify the type of dependent	(E) Eligible care expenses
			<input type="radio"/> Minor	00
			<input type="radio"/> Disabled dependent	00
			<input type="radio"/> Minor	00
			<input type="radio"/> Disabled dependent	00
			<input type="radio"/> Minor	00
			<input type="radio"/> Disabled dependent	00
			<input type="radio"/> Minor	00
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			<input type="radio"/> Disabled dependent	00
			<input type="radio"/> Minor	00
			<input type="radio"/> Disabled dependent	00

3. Eligible Expenses (Total of Column (E))	(3)	00
4. Basic Rule Limitation (Enter \$8,000 in the case of one (1) eligible dependent or \$16,000 in the case of two (2) or more eligible dependents)	(4)	00
5. Enter the smaller of the amounts on lines 3 and 4	(5)	00
6. Earned Income Limitation (Enter your earned income. See instructions)	(6)	00
7. Eligible Expenses Maximum Amount (Enter the smaller of the amounts on lines 5 and 6)	(7)	00

Certification

By signing the Individual Income Tax Return (Form 482.0) with which this schedule is filed, I declare under penalty of perjury that the information provided herein is true, correct and complete. I further declare that the persons included in Part II for whom I claim this credit are considered eligible dependents, and that the care expenses reported in Part II to claim the credit are true and accurate, and are considered eligible care expenses.

Part III Determination of Eligible Dependents' Care Credit

Determine the credit as follows:

A. Taxpayers with one (1) eligible dependent

1. Total adjusted gross income (Enter the amount from Part 1, line 5 of the return or Part I, line 6, Columns B and C of Schedule CO Individual) (If this amount is more than \$438,000, do not complete the rest of the schedule. You do not qualify for this credit)	(1)		00
2. If the adjusted gross income (Line 1) is not more than \$125,000, enter on this line the smaller of 50% of the result of line 7, Part II or \$4,000. Do not complete lines 3, 4 and 5 and transfer the result to line 27D of Part 3 of the return	(2)		00
3. If the adjusted gross income (Line 1) is more than \$125,000 but not in excess of \$183,000:			
a) Maximum amount of eligible dependents' care credit (Multiply line 7, Part II by 50% and enter the result here)	(3a)		00
b) Adjusted gross income limitation	(3b)	125,000	00
c) Subtract line 3(b) from line 1	(3c)		00
d) Reduction percentage (Divide line 3(c) by \$2,000 and multiply by 1%. Enter the result rounded to two decimal places)	(3d)		00
e) Credit reduction amount (Multiply line 7, Part II by line 3(d))	(3e)		00
f) Total eligible dependents' care credit (Subtract line 3(e) from line 3(a), enter the result here and on line 27D of Part 3 of the return. If the result is zero or less than zero, do not transfer amount to Part 3 of the return)	(3f)		00
4. If the adjusted gross income (Line 1) is more than \$183,000 but not in excess of \$400,000, enter on this line the smaller of 20% of the result of line 7, Part II or \$1,600. Do not complete line 5 and transfer the result to line 27D of Part 3 of the return	(4)		00
5. If the adjusted gross income (Line 1) is more than \$400,000 but not in excess of \$438,000:			
a) Maximum amount of eligible dependents' care credit (Multiply line 7, Part II by 20% and enter the result here)	(5a)		00
b) Adjusted gross income limitation	(5b)	400,000	00
c) Subtract line 5(b) from line 1	(5c)		00
d) Reduction percentage (Divide line 5(c) by \$2,000 and multiply by 1%. Enter the result rounded to two decimal places)	(5d)		00
e) Credit reduction amount (Multiply line 7, Part II by line 5(d))	(5e)		00
f) Total eligible dependents' care credit (Subtract line 5(e) from line 5(a), enter the result here and on line 27D of Part 3 of the return. If the result is zero or less than zero, do not transfer amount to Part 3 of the return)	(5f)		00

B. Taxpayers with two (2) or more eligible dependents

1. Total adjusted gross income (Enter the amount from Part 1, line 5 of the return or Part I, line 6, Columns B and C of Schedule CO Individual) (If this amount is more than \$438,000, do not complete the rest of the schedule. You do not qualify for this credit)	(1)		00
2. If the adjusted gross income (Line 1) is not more than \$125,000, enter on this line the smaller of 50% of the result of line 7, Part II or \$8,000. Do not complete lines 3, 4 and 5 and transfer the result to line 27D of Part 3 of the return	(2)		00
3. If the adjusted gross income (Line 1) is more than \$125,000 but not in excess of \$183,000:			
a) Maximum amount of eligible dependents' care credit (Multiply line 7, Part II by 50% and enter the result here)	(3a)		00
b) Adjusted gross income limitation	(3b)	125,000	00
c) Subtract line 3(b) from line 1	(3c)		00
d) Reduction percentage (Divide line 3(c) by \$2,000 and multiply by 1%. Enter the result rounded to two decimal places)	(3d)		00
e) Credit reduction amount (Multiply line 7, Part II by line 3(d))	(3e)		00
f) Total eligible dependents' care credit (Subtract line 3(e) from line 3(a), enter the result here and on line 27D of Part 3 of the return. If the result is zero or less than zero, do not transfer amount to Part 3 of the return)	(3f)		00
4. If the adjusted gross income (Line 1) is more than \$183,000 but not in excess of \$400,000, multiply line 7, Part II by 20%. The amount determined cannot exceed \$3,200. Do not complete line 5 and transfer the result to line 27D of Part 3 of the return	(4)		00
5. If the adjusted gross income (Line 1) is more than \$400,000 but not in excess of \$438,000:			
a) Maximum amount of eligible dependent's care credit (Multiply line 7, Part II by 20% and enter the result here)	(5a)		00
b) Adjusted gross income limitation	(5b)	400,000	00
c) Subtract line 5(b) from line 1	(5c)		00
d) Reduction percentage (Divide line 5(c) by \$2,000 and multiply by 1%. Enter the result rounded to two decimal places)	(5d)		00
e) Credit reduction amount (Multiply line 7, Part II by line 5(d))	(5e)		00
f) Total eligible dependents' care credit (Subtract line 5(e) from line 5(a), enter the result here and on line 27D of Part 3 of the return. If the result is zero or less than zero, do not transfer amount to Part 3 of the return)	(5f)		00

SCHEDULE B5 INDIVIDUAL

ELIGIBLE DEPENDENTS' CARE CREDIT

INSTRUCTIONS



Rev. Apr 8 22

GENERAL INSTRUCTIONS

Every individual who wishes to claim the Eligible Dependents' Care Credit (Credit) provided under Section 9631(b) of Federal Law P.L. 117-2 of March 11, 2021, known as the "American Rescue Plan Act of 2021" as amended (hereinafter, "ARPA") in the Individual Income Tax Return (Return), must complete this Schedule. The Credit is reimbursable and is determined considering the requirements and parameters established under the Plan for the Eligible Dependents' Care Credit under ARPA ("Plan"), approved on February 8, 2022, and the Internal Revenue Circular Letter No. 22-06.

Eligibility Requirements

The Credit will only apply to natural persons. Therefore, it is not applicable to estates, trusts, partnerships, corporations of individuals or any other legal entity.

To be entitled to claim the credit, the individual must meet **all** the following eligibility requirements (Eligible Individuals):

1. Be a bona fide resident of Puerto Rico for the entire taxable year for which the Credit is claimed. In the case of married taxpayers who file a joint Return, both spouses must meet this requirement.
2. The principal place of abode and the principal residence is in Puerto Rico, for more than half of the year 2021.
3. Must have generated *Earned Income* during the taxable year, as this term is defined on these instructions and on Section 1052.01 of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"). In the case of married taxpayers filing a joint Return, both taxpayer and spouse must have generated Earned Income during the taxable year, except in cases under the special rule detailed on these instructions under the *Limitation of Eligible Expenses* topic.

In the case of taxpayers who have been looking for a job, it will be necessary to have obtained employment and generated income for said year. If you do not find a job and therefore have no Earned Income for the year, you will not be eligible to claim the Credit.
4. Have not been claimed as dependent in another Return for the same taxable year.
5. The taxpayer and spouse (in the case of married taxpayers filing a joint Return) have a valid social security number issued by the Social Security Administration.
6. Only Eligible Dependents, as defined below, will be considered dependents for purposes of this Credit.

On the other hand, those Eligible Individuals who have passed away during the taxable year 2021 and the surviving spouse files a joint Return for the taxable year ending on the date that the spouse passed away, may request the Credit. If the surviving spouse also files a Return for the remaining period of the taxable year 2021 as an individual taxpayer, he or she may claim the Credit, but must prorate the same between the two Returns based on the date on which the Eligible Dependent's care expenses were incurred. If the surviving spouse marries before the end of the 2021 taxable year, the Credit may be claimed on the deceased spouse's separately filed Return.

Married taxpayers, who choose to file their return separately, will not be eligible to claim this credit.

Definitions

For purposes of the Credit, the following terms have the meaning set forth below:

Eligible Dependent:

Son, daughter, stepson, stepdaughter, stepbrother, stepsister, legally adopted son, legally adopted daughter, foster child, brother, sister, half-brother, half-sister, or descendant of these who:

- i. Has **not** reached 13 years of age at the time of receiving the care services and at the close of the taxable year;
- ii. has maintained the same Principal Residence as the taxpayer for more than half of the 2021 taxable year;
- iii. qualifies to be claimed or was claimed as a dependent in the Eligible Individual's Return because during said year he or she received more than half of the support from said Eligible Individual;
- iv. has a valid Social Security number or an Adoption Taxpayer Identification number; and
- v. has not been claimed as a dependent in the Return of another taxpayer.

It is important to point out that for purposes of the Credit, the term foster child only refers to those individuals who have been placed under the care of the taxpayer by an authorized placement governmental agency or by judgment, decree or order of any court of competent jurisdiction. An authorized placement governmental agency is one that has been created and operates under the jurisdiction of the Government of Puerto Rico, the United States and its states, territories, or possessions. Therefore, to be considered a foster child, there must be an order from an authorized governmental agency or from the court ordering to the Eligible Dependent to receive the required care at the taxpayer's residence.

It will be also considered an Eligible Dependent, a taxpayer's dependent, as said term is defined in Section 1033.18(c)(1) of the Code, who is physically or mentally disabled and unable to provide care for himself, including the spouse of the Eligible Individual. To be considered an Eligible Dependent, it is necessary that this dependent has the same Principal Residence as the taxpayer for more than half of the year 2021.

An individual's status as an Eligible Dependent is determined daily. An individual will not be considered an Eligible Dependent on the day that the individual ceases to meet the above requirements.

Physically or mentally incapable of self-care:

Refers to an individual who, as a result of a physical or mental condition, is incapable of caring for his or her hygiene or nutritional needs or requires the full-time attention of another person for his or her own safety or the safety of others. The inability of an individual to engage in any substantial gainful activity or to perform the normal household functions of a homemaker or care for minor children by reason of a physical or mental condition does not for itself establish that the individual is physically or mentally incapable of self-care.

Eligible Care Expenses:

Is the amount paid by a taxpayer to a Care Service Provider, a Dependent's Care Center or an Educational Organization for care services of an Eligible Dependent or the disabled spouse of the Eligible Individual in order for the taxpayer and spouse, in the case of married taxpayers who file a joint Return, to work or seek for a paid employment. Eligible Care Expenses will be considered those amounts paid for:

- a. household services;
- b. education expenses for a child to attend school before Kindergarten;
- c. expenses for the care of a child before or after school, excluding any tutoring services or summer classes;
- d. day camp programs;
- e. Care Service Provider's cost of transportation to or from the place of care;
- f. Care Service Provider's room and board;
- g. employment taxes (Nanny Tax), and
- h. indirect expenses, such as application fees, Care Services Provider's fees and deposits required to ensure that the Eligible Dependent obtains the necessary care.

The following payments will **not** be considered as Eligible Care Expenses: child support payments, food, lodging, clothing, education, and entertainment expenses relating to the Eligible Dependent.

Care Service Provider:

Is an individual or legal entity that provides care services to an Eligible Dependent. For these purposes, the following individuals will not be considered Care Services Providers, even if they receive some remuneration from the taxpayer or spouse:

- a. Individuals for which the exemption for dependents is claimed under Section 1033.18(b) of the Code;
- b. a son, daughter, stepson, stepdaughter, legally adopted son, legally adopted daughter, foster child of the taxpayer or spouse who is under 19 years of age at the close of the taxable year;
- c. the taxpayer's spouse during any part of the taxable year, or
- d. the parent of an Eligible Dependent who is under the age of 13.

Dependent Care Center:

Any facility that provides care for more than 6 individuals (other than individuals who reside at the facility) and receives a fee, payment, or grant for providing services for any of the individuals (regardless of whether the facility is operated for profit). The center must have an employer identification number issued by the Federal Internal Revenue Service or a social security number that can be provided to the Eligible Individual.

Educational Organization:

Is an educational organization as described in Section 1101.01(a)(2)(D) of the Code or under Section 170(b)(1)(A)(ii) of the Federal Internal Revenue Code of 1986, as amended. To claim the Credit, the entity must have an employer identification number issued by the Federal Internal Revenue Service and provide it to the Eligible Individual.

Earned Income:

It has the same meaning as the term "Gross Earned Income" under Section 1052.01(b) of the Code. That is, wages, salaries, tips, pensions, all remuneration for services rendered by an employee for his employer, whether exempt or taxable, or other compensation from services rendered as an

employee, but only if said amounts are included in the gross income for the taxable year, and when said amounts are duly reported in a withholding statement required under Section 1062.01(n)(2) of the Code (Form 499R-2/W-2PR or 499R-2c/W-2cPR) whether or not they are subject to withholding, or in an informative return of qualified retirement plans issued under Section 1081.01 of the Code (Form 480.7C). In the case of Federal Government pensioners, will include the amounts of pensions reported in Form 1099-R or any other form used for such purposes by the Federal Government.

In addition to these items, "Gross Earned Income" includes income from an industry, self-employed business, or an activity for the production of income by a resident of Puerto Rico that is in compliance with the provisions of Section 4060.01 of the Code related to the requirement to request a Merchant's Registration Certificate, and whose income is subject to social security tax at the federal level and said income is duly reported in an informative return issued under Section 1062.03 (Form 480.6SP) or 1063.01 of the Code and reported in the Return as income subject to tax.

Adjusted Gross Income:

It will have the same meaning established in Section 1031.03 of the Code. That is, the amount reported by the taxpayer on Line 5, Part 1 (or Line 6, Part I, Columns B and C of Schedule CO Individual in the case of Married taxpayers filing a joint Return under the Optional Computation) of the Return for taxable year 2021.

Limitation of Eligible Expenses

Those taxpayers who receive a benefit from their employer to cover the caring cost of Eligible Dependents, must subtract said benefit from the total Eligible Care Expenses determined for purposes of the Credit.

Once the amount of Eligible Care Expenses paid has been determined, it will be necessary to apply the basic limitation rule provided for this Credit. Said rule establishes that the total amount of Eligible Care Expenses cannot exceed:

- 1. **\$8,000**, if the credit is claimed for one (1) Eligible Dependent; or
- 2. **\$16,000**, if it is claimed for two (2) or more Eligible Dependents.

It is important to point out that the maximum amount of Eligible Care Expenses for the calculation of the Credit ("Eligible Expenses Maximum Amount") cannot exceed the taxpayer's Earned Income, as the term was defined above.

In the case of married taxpayers who file a joint Return, the Eligible Expenses Maximum Amount **cannot exceed** the taxpayer's Earned Income or the spouse's Earned Income, whichever is less. This means that, for purposes of determining the Eligible Expenses Maximum Amount, the Earned Income from the marriage will not be added, but rather, the lower will be used. Therefore, if one of the spouses did not generate Earned Income during the year, neither spouse will be eligible to claim the Credit.

However, the Plan provides a special rule by which Earned Income may be attributed to a spouse who did not generate income if he or she has resided for more than half of the year in the same Principal Residence of the taxpayer and meets any of the following conditions:

- 1. Was physically or mentally incapable of self-care at any time of the 2021 year; or
- 2. during five (5) calendar months of the taxable year 2021, was a full-time student in an Educational Organization.

In these cases, said spouse will be considered to have been gainfully employed for each of the months in which said status was maintained, at the rate of **\$250** per month, if Eligible Care Expenses are claimed for one (1) Eligible Dependent, or **\$500** per month, if the Credit is claimed for two (2) or more Eligible Dependents. With this special rule, the fact that both, the taxpayer and

the spouse, must have generated Earned Income during the taxable year is corrected.

SPECIFIC INSTRUCTIONS

PART I - PERSONS OR ORGANIZATIONS WHO PROVIDED THE CARE SERVICES FOR ELIGIBLE DEPENDENTS

Complete on this part *all* the required information about the individual or legal entity, including nonprofit organizations, that provided the care services to the Eligible Dependents. You must make a separate entry with the information for each service provider if you have more than one provider. Enter in the corresponding column, the following information:

- A. Name of the person or entity who provided the services;
- B. Physical address;
- C. Employer Identification Number or Social Security; and
- D. Amount paid for care services that are considered Eligible Care Expenses, as defined above.

You must perform the due diligence to obtain all the information from the service provider, especially the employer identification number or social security number, as applicable.

If you cannot obtain the required information, you must include with your return a statement under penalty of perjury stating that you exercised due diligence to obtain all the information from the care service provider for which the credit is claimed on this schedule, and despite of all the efforts made, you were unable to obtain said information.

Those taxpayers who do not provide all the required information from the care service provider and do not certify that he or she exercised due diligence to obtain said information, do not meet the requirements established to be eligible for the granting of the Credit and therefore, cannot claim the expenses paid to said provider even when they are considered Eligible Care Expenses.

PART II - DETERMINATION OF ELIGIBLE EXPENSES MAXIMUM AMOUNT

The Eligible Expenses Maximum Amount is associated with the number of Eligible Dependents, as such term is defined on these instructions. Provide all the required information about each Eligible Dependent and follow the instructions of the schedule to determine the Eligible Expenses Maximum Amount that you may use to compute your Credit.

Line 2 - Make a separate entry with the required information in Columns (A) through (E) for each Eligible Dependent.

Line 2D - Fill in the corresponding oval to identify the type of Eligible Dependent as: minor or disabled dependent, as discussed above. Remember that in the case of minors, the Eligible Care Expenses to be included shall be those paid while the minor was 12 years old or younger. Expenses incurred for the care of this minor, once he reached the age of 13, are not considered Eligible Care Expenses for purposes of this credit.

Line 2E - Enter the amount of Eligible Care Expenses, as said term is defined above, for each of the Eligible Dependents included on this Part.

Line 3 - Add all amounts entered in Column (E). The total reported on this line (that is, the sum of the Eligible Care Expenses reported for each Eligible Dependent) cannot exceed the sum of the amounts entered in Column (D) of Part I of this Schedule.

Line 4 - Enter the limitation according to the basic rule for Eligible Care Expenses, which is based on the total number of Eligible Dependents included on this Part. That is, \$8,000 in the case of **one (1)** Eligible Dependent or \$16,000 in the case of **two (2) or more** Eligible Dependents.

Line 6 - Enter the total *earned income* according to the definition provided for said term above. In the case of married taxpayers who file a joint Return, enter the smaller of the earned income of the taxpayer or the earned income of the spouse, as applicable. In the case of spouses who are disabled or students during the year, refer to the income attribution special rule provided by the Plan, discussed in the general instruction under "*Limitation of Eligible Expenses*" and determine the amount of income that will be attributed to said spouse, as applicable.

If the taxpayer, or one of the spouses, in the case of married taxpayers who file a joint Return, did not generate earned income during the taxable year, they will not be able to claim this credit. Therefore, in those cases enter zero on this line and do not continue with the preparation of this Schedule.

PART III - DETERMINATION OF ELIGIBLE DEPENDENTS' CARE CREDIT

To determine the Eligible Dependent's care credit, you must first select the corresponding computation: **Part III-A. for taxpayers with one (1) Eligible Dependent; or Part III-B. for taxpayers with two (2) or more Eligible Dependents**, as applicable. Once the corresponding section of this Part III is identified, you must follow the indications of each line. The result will be transferred to line 27D, Part 3 of the return.

The amount of the Credit that an Eligible Individual may claim in the Return will be determined based on the applicable percentage of the Eligible Expenses Maximum Amount determined in accordance with the provisions of Part II of this Schedule. Said percentage is determined based on the adjusted gross income of the taxpayer and spouse, in the case of married taxpayers who file a joint Return. However, the total Credit may be reduced if the adjusted gross income exceeds the thresholds established for each category. For such purposes, the amount of the Credit to be claimed for taxable year 2021 will be determined as follows:

1. Fifty percent (50%) of the Eligible Expenses Maximum Amount determined, if the adjusted gross income of the taxpayer and spouse, in the case of married taxpayers who file a joint Return, does not exceed \$125,000.
2. Fifty percent (50%) of the Eligible Expenses Maximum Amount determined, if the adjusted gross income of the taxpayer and spouse, in the case of married taxpayers who file a joint Return, exceeds \$125,000 but not \$183,000. In this case, the Credit determined will be reduced based on one percent (1%) for every \$2,000 (or fraction thereof) that the taxpayer's adjusted gross income exceeds \$125,000.
3. Twenty percent (20%) of the Eligible Expenses Maximum Amount determined, if the adjusted gross income of the taxpayer and spouse, in the case of married taxpayers who file a joint Return, exceeds \$183,000 but not \$400,000.
4. Twenty percent (20%) of the Eligible Expenses Maximum Amount determined, if the adjusted gross income of the taxpayer and spouse, in the case of married taxpayers who file a joint Return, exceeds \$400,000 but not \$438,000. In this case, the Credit determined will be reduced based on one percent (1%) for every \$2,000 (or fraction thereof) that the taxpayer's adjusted gross income exceeds \$400,000.

If the adjusted gross income of the taxpayer, and his or her spouse in case of married taxpayers who file a joint Return, exceeds \$438,000, the taxpayer will not be entitled to claim the Credit.

REFUND OF CREDIT AND RESTRICTIONS

Every Eligible Individual who qualifies for this Credit may claim it in the Return. Said credit shall be claimed first against the tax determined after the other tax credits that the taxpayer is entitled to claim. The amount of the Credit in excess

of the tax determined will be refunded to the taxpayer or can be credited against the estimated tax for the next taxable year, at the request of the taxpayer. In addition, the part of the refund that corresponds to the Credit does not accrue interest on behalf of the taxpayer.

Every taxpayer who submits false or incorrect information for the sole purpose of obtaining the Credit, will be exposed to the assessment of the corresponding amount, including interest, surcharges, and applicable penalties in accordance with the Code. Likewise, the Department reserves the right to subsequently evaluate compliance with the requirements to benefit from the Credit, including, but not limited to, carrying out review, audit, or investigation processes, as well as to carry out any collection efforts through the mechanisms provided by law.