## Part I: Computation of Gain under Section 1034.04(m)

1. Date in which the old residence was sold (day, month, year) ................................................................. (01) / /
2. Were funds from an Individual Retirement Account (IRA) used to acquire the old residence? (02) ............... 1 Yes 2 No
   If the answer is "Yes", enter here and in Part IV of Schedule F Individual the amount of the withdrawn contributions ............................................................. (03) 00
3. Have you bought or built a new residence? (04) Bought: 1 Yes 2 No Built: 3 Yes 4 No
   If you bought or built, enter date................................................................................................................. (05) / /
4. Selling price of the old residence (Do not include personal property items sold with your residence) ................................................................. (06) 00
5. Selling expenses (Include sales commissions, advertising, legal fees, etc.) ....................................................... (07) 00
6. Total realized (Subtract line 5 from line 4) ................................................................................................... (08) 00
7. Adjusted basis of residence sold. (09) Includes prepayment: 1 Yes 2 No (See instructions) ...................................... (10) 00
8. Gain realized on sale (Subtract line 7 from line 6).
   If it is zero or less, enter zero and do not complete the rest of the form. If your answer on line 3 is "Yes", continue with Part II or III, whichever applies.
9. If you have not replaced your residence, do you plan to do so during the replacement period? (13) 1 Yes 2 No
   If your answer is "Yes", see instructions.
   If your answer is "No", continue with Part II or III, whichever applies.

## Part II: Once in a Lifetime Exclusion for Taxpayers Age 60 or Older under Section 1031.02(a)(16) (See instructions)

10. At the time of sale, who owned the residence? ..................................................................................... (14) 1 Taxpayer 2 Spouse 3 Both
11. Who was age 60 or older on the date of sale? ......................................................................................... (15) 1 Taxpayer 2 Spouse 3 Both
12. Did the person who was age 60 or older own and use the property sold as his or her principal residence for a total of at least 3 years (except for short absences) of the 5 year period ended at the time of sale? If the answer is "No", go to Part III ........................................................................ (16) 1 Yes 2 No
13. If line 12 is "Yes", do you elect to take the once in a lifetime exclusion from the gain on the sale? ........................................................................................................... (17) 1 Yes 2 No
14. Exclusion: Enter the smaller of line 8 or $150,000 ($300,000 if married that choose the optional computation of tax) ................................................................. (18) 00

## Part III: Adjusted Sales Price, Taxable Gain and Adjusted Basis of New Residence

15. Recognized gain. If line 14 is zero, enter here the amount of line 8. Otherwise, subtract line 14 from line 8 and enter here.
   - If line 15 is zero, do not complete the rest of the form and attach the same to your return.
   - If line 15 is more than zero and line 3 is "Yes", go to line 16.
   - If line 15 is more than zero and line 9 is "No", enter the gain on Schedule D Individual, as applicable: (19) 1 Short-term (Part I, line 2) 2 Long-term - 10% (Part II, line 11)
     - 3 Long-term - 15% (Part III, line 22) .................................................................................................. (20) 00
16. Fixing-up expenses of the old residence (See instructions) .............................................................................. (21) 00
17. Add lines 14 and 16 ............................................................................................................................... (22) 00
18. Adjusted sales price (Subtract line 17 from line 6) ..................................................................................... (23) 00
19. (a) Enter date you moved into new residence (24) ............................................................................. (25)
   (b) Cost of new residence ....................................................................................................................... (26) 00
20. Subtract line 19(b) from line 18. If it is zero or less, enter zero ........................................................................ (28) 00
21. Taxable gain. Enter the smaller of line 15 or 20. If it is zero or less, enter zero.
   If it is a gain, transfer to Schedule D Individual, as applicable: (27) 1 Short-term (Part I, line 2) 2 Long-term - 10% (Part II, line 11)
     3 Long-term - 15% (Part III, line 22) .................................................................................................. (28) 00
22. Gain to be postponed (Subtract line 21 from line 15) .................................................................................. (29) 00
23. Adjusted basis of new residence (Subtract line 22 from line 19(b)) ........................................................ (30) 00
SCHEDULE D3 INDIVIDUAL

SALE OR EXCHANGE OF PRINCIPAL RESIDENCE
(Under Sections 1034.04(m) and 1031.02(a)(16) of the Puerto Rico Internal Revenue Code of 2011, as amended)

INSTRUCTIONS

This Schedule shall be completed in those cases where the principal residence sold or exchanged does not comply with the definition provided by Act 216-2011, but you are interested to benefit from the provisions of Sections 1034.04(m) or 1031.02(a)(16) of the Code related to the deferred gain and the once in a lifetime exemption for taxpayers age 60 or older, respectively.

If you have the intention to purchase or construct a new residence, you may postpone the payment of taxes in whole or in part, on the gain, if any, if within two years prior to or two years after the sale of the old residence, you purchase or construct a new residence in Puerto Rico and use it as your principal residence, provided that the purchase price of said new residence is equal to or larger than the selling price of the old residence.

On the other hand, if you do not invest the sale proceeds in another residence within the established period of time, or do not invest the total sale proceeds in another residence, you must recognize the gain in the year in which the sale occurred.

PART I - COMPUTATION OF GAIN UNDER SECTION 1034.04(m)

Line 1 - Enter the date of sale of the old residence. This date appears on the Sale and Purchase Deed.

Line 2 - If you used funds from an Individual Retirement Account (IRA) to purchase your old residence, these funds are taxable when the old residence is sold. Enter the amount withdrawn from the IRA to purchase the old residence. Transfer to Schedule F Individual, Part IV.

Line 3 - If you sold your principal residence during the taxable year, you must inform the Secretary of the Treasury whether you purchased or constructed a new residence and the dates thereof.

Line 4 - Enter the selling price of your old residence, without including personal property items. Generally, the sale price includes the cash received from the sale plus the mortgages assumed by the purchaser.

Line 5 - Enter the expenses incurred in order to sell the old residence. These expenses include sales commissions, advertising, legal, appraisal and other expenses. Lodging expenses (i.e. hotels) and travel expenses (i.e. airplane tickets) are not considered selling expenses. Do not include fixing-up expenses on this line (see instructions for line 16).

Line 7 - Enter the adjusted basis of the old residence. The adjusted basis is the original cost of the old residence and its permanent improvements, less the accumulated depreciation, if the property was used to produce income during its possession.

Also, the adjusted basis of the property will include the increase in accumulated value of such property for which the 5% special tax rate was prepaid during the period of July 1, 2006 to December 31, 2006, as provided in Section 1014A of the Puerto Rico Internal Revenue Code of 1994, as amended, and/or 8% during the period of July 1, 2014 to January 31, 2015, as provided in Section 1023.21 of the Code of 2011. If you made a prepayment during the indicated period, fill in the corresponding oval. You must keep copy of Form SC 2731 with the corresponding Schedule for a period not shorter than 6 years.

Line 9 - If you answered “Yes”, do not complete the rest of the Schedule and include the same with your return. You must complete an additional Schedule D1 Individual on the following year if you have not replaced your residence and have the intention of doing so during the replacement period. If you answered “No”, continue with Part II or III, whichever applies.

PART II - ONCE IN A LIFETIME EXEMPTION FOR TAXPAYERS AGE 60 OR OLDER UNDER SECTION 1031.02(a)(16)

If you or your spouse is age 60 or older at the date of the sale or exchange of the principal residence, you have an exemption from the gross income up to $150,000 from the gain realized on the sale or exchange of your principal residence. This exemption will apply as long as you have used the property as your principal residence for a period of 3 years or more of the 5 years previous to the sale. This exemption may be claimed by the taxpayer only once in a lifetime.

If you realized a gain on the sale or exchange of your principal residence, and did not purchase or construct a new residence within the time limits previously mentioned, or do not have the intention of buying or constructing a residence, and do not qualify for the $150,000 exemption, or did not claim said exemption, transfer the total amount of the gain from line 8 of this Schedule to line 2 (short-term), or to line 11 or 22 as applicable (long-term) of Schedule D Individual.

If you qualify for the exemption and claimed it, but did not purchase or construct a new residence, neither have plans to do so during the period established by the Code to defer the gain, transfer the amount of gain recognized from line 15 of this Schedule to Schedule D Individual, Part II, line 11 or Part III, line 22, as it corresponds.

PART III - ADJUSTED SALES PRICE, TAXABLE GAIN AND ADJUSTED BASIS OF NEW RESIDENCE

Line 15 - If the purchase price or cost of construction of the new residence is smaller than the adjusted sale or exchange price of the old residence, the gain will be recognized only up to the total amount by which the adjusted sale or exchange price of the old residence exceeds the cost of purchase of the new residence. You must indicate if the recognized gain is a short-term or long-term gain.

Line 16 - Enter the fixing-up expenses you paid in order to sell the old residence. Fixing-up expenses include repair, maintenance, painting and cleaning expenses paid in order to facilitate the sale of the property. However, to qualify, the expenses must be:

• for work performed during the 90 day period ended on the date in which the sale contract of the old residence took place;

• paid not later than 30 days after the date of sale of the old residence.

The fixing-up expenses do not include amounts paid for selling expenses nor permanent improvements. To claim said expenses, see instructions for lines 5 and 7, respectively.

Line 19(b) - Enter the cost of the new residence. The cost of the new residence includes that part of such cost that is ascribed to the purchase, construction, reconstruction and improvements made that can appropriately be charged to the capital account during the established replacement period. 