Schedule D3 Individual
Rev. Jul 12 24

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)

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

2024

Taxpayer's name	Cadastre Number	Social Security Number

Part I Computation of Gain under Section 1034.04(m)

1. Date in which the old residence was sold (day, month, year) .... (1) / /
2. Were funds from an Individual Retirement Account (IRA) used to acquire the old residence? Taxpayer: 1 Yes 2 No Spouse: 1 Yes 2 No. If the answer is "Yes", enter here and in Part I of Schedule F Individual the amount of the withdrawn contributions (2) 00
3. Have you bought or built a new residence? 1 Yes 2 No
   If you bought or built, enter date (day, month, year) .... (3) / /
4. Selling price of the old residence (Do not include personal property items sold with your residence) .... (4) 00
5. Selling expenses (Include sales commissions, advertising, legal fees, etc.) .... (5) 00
6. Total realized (Subtract line 5 from line 4) .... (6) 00
7. Adjusted basis of residence sold. Includes prepayment: 1 Yes 2 No (See instructions) .... (7) 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. If your answer on line 3 is "No", continue with line 9 .... (8) 00
9. If you have not replaced your residence, do you plan to do so during the replacement period? 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? .... 1 Taxpayer 2 Spouse 3 Both
11. Who was age 60 or older on the date of sale? .... 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 .... 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? If the answer is "Yes", continue with line 14. If you answer "No", continue with Part III .... 1 Yes 2 No
14. **Exemption:** Enter the smaller of line 8 or $150,000 ($300,000 if married that choose the optional computation of tax) .... (14) 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 the result here.
    - If line 15 is zero or less than zero, do not complete the rest of the form and include the same with 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", do not complete lines 16 through 20. Enter the gain on line 21 .... (15) 00
16. Fixing-up expenses of the old residence (See instructions) .... (16) 00
17. Add lines 14 and 16 .... (17) 00
18. **Adjusted sales price** (Subtract line 17 from line 6) .... (18) 00
19. (a) Enter date you moved into new residence (day, month, year) / / (b) Cost of new residence .... (19) 00
20. Subtract line 19(b) from line 18. If it is zero or less, **enter zero** .... (20) 00
21. **Taxable gain.** Enter the smaller of line 15 or 20. If it is zero or less, **enter zero.**
    If you answered "No" on line 9 of Part I, transfer to this line the gain from line 15 of this Part III, if any.
    If it is a gain, transfer to Schedule D Individual, as applicable: 1 Short-term (Part I, line 2) 2 Long-term (Part II, line 9) .... (21) 00
22. Gain to be postponed (Subtract line 21 from line 15) .... (22) 00
23. **Adjusted basis of new residence** (Subtract line 22 from line 19(b)) .... (23) 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)

Rev. Nov 5 25

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, as amended, but the taxpayer is interested to benefit from the provisions of Sections 1034.04(m) or 1031.02(a)(16) of the Puerto Rico Internal Revenue Code of 2011, as amended ("Code"). Include the Cadastre Number of the principal residence for which this Schedule is completed.

Section 1034.04(m) of the Code provides for nonrecognition of gain on the sale or exchange of a taxpayer's principal residence if certain requirements are met. If the taxpayer has the intention to purchase or construct a new residence, he/she may postpone the payment of taxes in whole or in part, on the gain, if within two years prior to or two years after the sale of the old residence, he/she purchases or constructs a new residence in Puerto Rico and uses it as the principal residence, provided that the purchase price of said new residence is equal to or more than the selling price of the old residence.

On the other hand, Section 1031.02(a)(16) of the Code provides for the taxpayer to claim an exemption from the gross income up to $150,000 from the gain realized on the sale or exchange of the principal residence, if at the date of said sale or exchange the taxpayer or the spouse is age 60 or older and the property has been used as his/her principal residence for a total period of three years or more of the five years previous to the sale. **This exemption may be claimed by the taxpayer or spouse only once in a lifetime**.

Therefore, if the taxpayer does not meet the requirements provided by the Code, as described above, the gain must be recognized and taxed in the year in which the sale occurred using Schedule D Individual.

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

Use this part to determine the gain realized on the sale under Section 1034.04(m) of the Code.

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 I.

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 plus the 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 April 30, 2015, as provided in Section 1023.21 of the Code. 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 D3 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)

Complete this part if, on the date of the sale or exchange of your principal residence, you choose to claim the exemption provided under Section 1031.02(a)(16) of the Code.

An exemption up to $150,000 from the gain realized on the sale or exchange of your principal residence, will apply if you or your spouse is age 60 or older, claim the exemption and the property has been used as the principal residence for a total period of three years or more of the five years before the sale. **Remember that this exemption may be claimed by the taxpayer or spouse only once in a lifetime.**

If you do not qualify for the exemption or choose not to claim it; or if you did not purchase or construct a new residence, or do not have the intention to do it within the period provided by the Code to defer the gain, transfer the total from line 8, Part I of this Schedule to Part I, line 2 (short-term) or to Part II, line 9 (long-term), as applicable, of Schedule D Individual (See instructions of Schedule D Individual).

On the other hand, if you qualify for the exemption and claim it, enter the corresponding amount of the exemption on line 14 and continue with the instructions of Part III of the Schedule.

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 less 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.

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 no 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.

Lines 19(a) and (b) - Enter the date in which you moved into the new residence and its cost. 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.

Line 21 - The taxable gain will be the smaller between the amount recognized on lines 15 and 20 of Part III of this Schedule. Such gain must be transferred to Part I, line 2 (short-term) or to Part II, line 9 (long-term) of Schedule D Individual.