

# Schedule Q

Rev. 02.01  
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## INVESTMENT FUNDS

### CREDIT FOR INVESTMENT, LOSSES AND AMOUNT TO CARRYOVER

Taxable year beginning on \_\_\_\_\_, \_\_\_\_ and ending on \_\_\_\_\_, \_\_\_\_

20\_\_\_\_

Taxpayer's name

Social Security or Employer  
Identification Number

#### Part I Questionnaire

Taxpayer (Check one): ☐ 1 Individual ☐ 2 Corporation / Partnership ☐ 3 Special Partnership / Subchapter N Corporation of Individuals

Entity's Name .....

Employer Identification Number .....

Type of Investment .....

61 (01) Column A	(02) Column B	(03) Column C
<input type="checkbox"/> 1 Tourist Development Fund Capital Investment Fund <input type="checkbox"/> 2 Act 3 of 1987 <input type="checkbox"/> 3 Act 46 of 2000 <input type="checkbox"/> 4 Act 70 of 1978 <input type="checkbox"/> 5 Act 78 of 1993 <input type="checkbox"/> 6 Act 225 of 1995 <input type="checkbox"/> 7 Others Direct Investment and not through a fund: <input type="checkbox"/> 8 Act 70 of 1978 <input type="checkbox"/> 9 Act 78 of 1993 <input type="checkbox"/> 10 Act 225 of 1995 <input type="checkbox"/> 11 Feature films (Subchapter K of the Code)	<input type="checkbox"/> 1 Tourist Development Fund Capital Investment Fund <input type="checkbox"/> 2 Act 3 of 1987 <input type="checkbox"/> 3 Act 46 of 2000 <input type="checkbox"/> 4 Act 70 of 1978 <input type="checkbox"/> 5 Act 78 of 1993 <input type="checkbox"/> 6 Act 225 of 1995 <input type="checkbox"/> 7 Others Direct Investment and not through a fund: <input type="checkbox"/> 8 Act 70 of 1978 <input type="checkbox"/> 9 Act 78 of 1993 <input type="checkbox"/> 10 Act 225 of 1995 <input type="checkbox"/> 11 Feature Films (Subchapter K of the Code)	<input type="checkbox"/> 1 Tourist Development Fund Capital Investment Fund <input type="checkbox"/> 2 Act 3 of 1987 <input type="checkbox"/> 3 Act 46 of 2000 <input type="checkbox"/> 4 Act 70 of 1978 <input type="checkbox"/> 5 Act 78 of 1993 <input type="checkbox"/> 6 Act 225 of 1995 <input type="checkbox"/> 7 Others Direct Investment and not through a fund: <input type="checkbox"/> 8 Act 70 of 1978 <input type="checkbox"/> 9 Act 78 of 1993 <input type="checkbox"/> 10 Act 225 of 1995 <input type="checkbox"/> 11 Feature films (Subchapter K of the Code)

#### Part II Credit Computation

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1. Qualified investment acquired during the taxable year .....	(01)	00	(07)	00	(13)	00
2. Allowable credit percentage:						
a) Multiply line 1 x 25% (See instructions) .....	(02)	00	(08)	00	(14)	00
b) Multiply line 1 x 50% (See instructions) .....	(03)	00	(09)	00	(15)	00
3. Credit available for investment:						
a) Credit attributable to first year (See instructions) .....	(04)	00	(10)	00	(16)	00
b) Carryover investment credit from previous years (Submit detail) .....	(05)	00	(11)	00	(17)	00
c) Total (Add lines 3(a) and 3(b)) .....	(06)	00	(12)	00	(18)	00
4. Total of credit available for investment (Add line 3(c), Columns A, B and C. Transfer to Part III, line 5) .....	(20)					00

**Part III Computation of Amount to be Claimed**

5. Total credit available for investment (From Part II, line 4) .....	(20)		00
6. Tax determined in the return (See instructions) .....	(21)		00
7. Credit for deductible portion of taxes paid to the United States, its possessions and foreign countries and for contribution to the Educational Foundation for Free Selection of Schools (See instructions).....	(22)		00
8. Excess of Alternate Basic Tax or Alternative Minimum Tax over the Regular Tax (See instructions) .....	(23)		00
9. Adjusted tax (Line 6 less the sum of lines 7 and 8).....	(24)		00
10. <b>Credit to claim</b> (Enter the smaller of line 5 or 9. See instructions) .....	(25)		00
11. Prescribed credits from previous years (See instructions) .....	(26)		00
12. Carryover credit (See instructions):			
(a) Line 5 less the sum of lines 10 and 11.....	(27)		00
(b) Attributable credit for the second year.....	(28)		00
(c) Total.....	(40)		00

**Part IV Determination of Credit and Carryover of Losses in the Sale, Exchange or any other Investment Disposition**

1. Total of losses during the taxable year (See instructions):		<b>63</b>	
a) Short-term (Schedule Q1, Part IV, line 3) .....	(01)		00
b) Long-term (Schedule Q1, Part III, line 1) .....	(02)		00
c) Total .....	(03)		00
2. Carryover losses not claimed in previous years (Submit detail. See instructions) .....	(04)		00
3. Total of losses (Add lines 1(c) and 2) .....	(05)		00
4. Total losses incurred in each one of previous years (See instructions) .....	(06)		00
5. Add lines 1(c) and 4 .....	(07)		00
6. Maximum amount that you may claim as credit attributable to losses (Multiply line 5 by 33.33%. See instructions) .....	(08)		00
7. Available credit for the year (The smaller of line 3 or 6) .....	(09)		00
8. Tax determined in the return (See instructions) .....	(10)		00
9. Credit for taxes paid to the United States, its possessions and foreign countries and for contribution to the Educational Foundation for Free Selection of Schools (See instructions) .....	(11)		00
10. Investment credit claimed during the taxable year related to the investment subject to loss, if any.....	(12)		00
11. Adjusted tax (Line 8 less the sum of lines 9 and 10) .....	(13)		00
12. <b>Credit to claim</b> (Enter the smaller of line 7 or 11. See instructions) .....	(14)		00
13. Prescribed credits from previous years .....	(15)		00
14. Carryover credit (Line 3 less the sum of lines 12 and 13).....	(20)		00



Rev. 05.17

# INVESTMENT FUNDS

## CREDIT FOR INVESTMENT, LOSSES AND AMOUNT TO CARRYOVER

### INSTRUCTIONS TO COMPLETE SCHEDULE Q

#### GENERAL INFORMATION

The investment funds were created with the purpose of providing for a complementary program in order to induce the economical development of Puerto Rico. Such programs allow the co-participation of the public and private sector in the formation of capital investment guided toward projects of:

1. **high risk**, under the Capital Investment Fund Act (Act 3 of October 6, 1987, as amended), and the Puerto Rico Capital Investment Funds Act of 1999 (Act 46 of January 28, 2000);
2. **tourism**, under the Puerto Rico Tourism Development Act of 1993 (Act 78 of September 10, 1993, as amended);
3. **agriculture**, under the Puerto Rico Agricultural Tax Incentives Act (Act 225 of December 1, 1995, as amended);
4. **solid waste disposal and/or handling facilities** (Act 70 of June 23, 1978, as amended); and
5. **production of feature films**, under Special Partnership (Section 1358 of the Puerto Rico Internal Revenue Code of 1994, as amended (Code)).

With the purpose of attracting investors, these laws provide them various tax advantages like: the credit for investment, exemption for exempt distributions received, and a special tax over certain taxable distributions and over net capital gains.

We have designed Schedules Q and Q1 to the extent of implementing the provisions of the above mentioned laws and to facilitate the taxpayers the determination of their primary investment and their corresponding credit, the taxable distributions and the special tax over said distributions, as well as the adjusted basis of the investment, the credit and the carryover attributable to losses on the sale, exchange or disposition of investments in funds.

Schedule Q has the following purposes:

- report the investment in the primary issuance

in the Investment Fund, Designated Entity or Special Partnership,

- compute the credit for investment,
- determine the credit and the carryover attributable to losses in the disposition of an investment in a Fund or Designated Entity and the balance of the carryover losses.

#### PART I - QUESTIONNAIRE

Indicate what type of taxpayer is, name of the entity in which you made the investment and its employer's identification number. Also, identify if the investment is under any fund, designated entity or if it is a direct investment (not through a fund).

#### PART II - CREDIT COMPUTATION

##### Line 1 - Qualified investment acquired during the taxable year

For purposes of this schedule, **qualified investment** will mean:

- a. Eligible proprietary interest - shares in partnerships or stocks in corporations or other capital securities (not debt securities) issued by a Fund or Designated Entity of primary issuance. **Primary Issuance** means the issuance made on the date in which a stock, share or other proprietary interest of a Fund is available for sale for the first time, as defined in Article 2(r) of the Puerto Rico Capital Investment Funds Act of 1999.
- b. Eligible Investment - the amount of cash or the value of lands contributed in exchange for stocks or shares as defined in Article 2(n) of the Puerto Rico Tourism Development Act of 1993; under Article 3(k) of the Puerto Rico Agricultural Tax Incentives Act; and under Articles 21(h) and (j) of the Solid Waste Authority Act.
- c. Annual Investment - the amount contributed in cash to a special partnership engaged in the production of feature films.

**This line should be the same as the difference between lines 2 and 3 of Part I, of Schedule Q1.**

**Line 2 - Allowable credit percentage**

The allowable credit percentage is determined based on the provisions of the applicable law:

- a. Act 3 of 1987 of Capital Investment Fund or Designated Entity - 25%
- b. Act 46 of 2000 of Puerto Rico Capital Investment Funds - 25%
- c. Act 78 of 1993 of Puerto Rico Tourism Development - 50%
- d. Act 225 of 1995 of Puerto Rico Agricultural Tax Incentives - 50%
- e. Act 70 of 1978 of the Puerto Rico Solid Waste Authority - 50%
- f. Section 1114.28 of the Code (Special Partnerships engaged in the production of feature films) - 25%

Every person who owns a qualified investment as previously defined, will be able at his or her election, to take a credit of his or her investment, according to the applicable percentages.

**Line 3 - Credit available for investment**

- a) Under the incises in which the 50% of the credit is applicable, it will be claimed in two installments. The first half of such credit in the taxable year in which the necessary financing for the project was obtained, and the balance in the following taxable year.

The credit obtained under Act 3 or Section 1114.28 of the Code will not exceed \$250,000 and will be claimed in only one installment in the taxable year in which the investment was made.

Under Act 46, the credit will be claimed in one installment in the taxable year in which the investment was made.

In the case of qualified investments under Acts 78, 225 and 70, if an escrow account is established, and the same is dissolved for not obtaining the necessary financing for the operation of the business, the participants will not have right to the credit.

The credit for investment in a primary issuance of securities will not be applicable, neither will be available, in the case that the investor acquires eligible proprietary interest

of a Fund or Designated Entity, in a primary issuance, in order to substitute other securities of a fund that were sold, exchanged or transferred in any form by such investor and concerning the ones for which he or she will not recognize, in whole or in part, the gain derived from said sale, exchange or transfer for having reinvested the total of the product of the sale, exchange or other disposition, in eligible proprietary interest of another Fund or Designated Entity.

The credit will not be available in case that the Secretary of the Treasury, upon examining the transaction that generates the credit, determines that its substance does not evidence a valid and legitimate purpose and on the contrary, reveals the mere intention of the investor to avoid the income taxes.

The credit for investment will be applied against the income tax including the alternative minimum tax or alternate basic tax (except those investments made under Act 3 or Section 1114.28 of the Code).

- b) In case that the credit for the investment under Act 3, Act 46 or Section 1114.28 of the Code exceeds the total of the taxes determined in the taxable year of the investment in the primary issuance of securities, said excess may be carried over to each one of the following 5 taxable years, in chronological order, and be claimed as a credit up to the limit of the income tax determined in every year until the credit is totally claimed, but it will never exceed \$250,000 (except under Act 46) per taxable year. The credit under Acts 78, 225 and 70 must be carried over to other taxable years until totally claimed.

Include the credit carryovers from previous years that you are entitled to.

- c) Under Acts 225 and 70, the value of the contributed land will not generate credit, although they may constitute eligible investments.

To claim credits under Act 70, it is also necessary to meet the requirements established in the Department of the Treasury's Circular Letter 97-05 of April 14, 1997.

In order to claim credit for your investment in a Fund, Designated Entity or Special Partnership, it is required that you include with the return the following documents:

- a. a certification of each entity in which the taxpayer made his or her investment providing the total of the investment in the same at the end of the corresponding taxable year, and
- b. a schedule detailing the entities in which the taxpayer made his or her investments, the amounts generated as investment credits in each Fund, Designated Entity or Special Partnership, the years in which the credits were generated, the amount of credits used, the amount of the available credits, and the remaining years for carrying over each credit.

### PART III - COMPUTATION OF AMOUNT TO BE CLAIMED

#### Line 6 - Tax determined in the return

Enter on this line the tax determined according to the amount provided in the applicable return:

- (a) Form 482.0, Part 3, line 21, or
- (b) Form 480.20, Part IV, line 42.

#### Line 7 - Credit for deductible portion of taxes paid to the United States, its possessions and foreign countries and for contribution to the Educational Foundation for Free Selection of Schools

Enter on this line the credit for taxes paid to the United States, its possessions or foreign countries, as indicated in:

- (a) Form 482.0, Part 3, line 17, or
- (b) Form 480.20, Part IV, line 43.

#### Line 8 - Excess of Alternate Basic Tax or Alternative Minimum Tax over the Regular Tax

The credit for investment under Act 3 of October 6, 1987 and Section 1114.28 of the Code shall not be applied against the alternative minimum tax nor against the alternate basic tax.

In the case of investments under Acts 78, 225 and 70:

- a. Enter on this line the excess of the Alternate Basic Tax over the Regular Tax as determined in Part 3, line 19 of Form 482.0, or
- b. Enter on this line the excess of the Alternative Minimum Tax over the Regular Tax as determined in Part IV, line 45 of Form 480.20.

#### Line 10 - Credit to claim

Enter the smaller of the amounts on line 5 or 9 and transfer to:

- A) Schedule B Individual, Part II, Subpart A. Credits Subject to Moratorium, line 1, or
- B) Schedule B Corporation, Part II, Subpart A. Credits Subject to Moratorium, line 1.

#### Line 11 - Prescribed credits from previous years

Indicate on this line the total of carryover credits that you could not claim in the taxable year due to its prescription.

#### Line 12 - Carryover credit

- (a) Subtract the sum of lines 10 and 11 from line 5 and enter the difference on this line.
- (b) Enter the amount of the credit to be claimed in the second installment in those cases in which the credit for eligible investment should be claimed in two installments. This amount should be the same as the sum of line 3(a), Columns A, B and C of Part II, except for investments under Act 3 or Act 46.

### PART IV - DETERMINATION OF CREDIT AND CARRYOVER OF LOSSES IN THE SALE, EXCHANGE OR OTHER INVESTMENT DISPOSITION

**Investments under Act 46 do not generate credit from losses.** Every loss incurred by the possessor of private proprietary interest from the sale, exchange or other disposition of an investment in a Fund's private proprietary interest, will be considered a capital loss. Said capital loss must be reported on Schedule D Individual or Schedule D Corporation, Part I or II, whichever applies.

Every loss from the sale, exchange or other bonafide disposition of an investment in securities from a Capital Investment Fund or Designated Entity, will be considered as a capital loss. The taxpayer, at his or her election, may claim this loss as a credit against the income tax, determined in the taxable year of the loss and in the following 4 years.

Under Acts 78, 225 and 70 you cannot choose to claim the loss as a credit against the income tax if the basis of the eligible investment in a fund is equal to zero. To determine the total of credit for loss under Acts 78, 225 and 70, the basis of the share in a special partnership will not be adjusted to show the increases of such basis established under the provisions related to Special Partnerships and Partners (Subchapter D of the Code). However, any



reduction in the basis of said share, determined according to Subchapter D of the Code, will be considered, but only up to the amount of the tax benefit derived by the participant in the transaction or event that originates the reduction in the basis of the share. Said credit is not applicable to the losses from investment under Section 1114.28 of the Code (Special Partnerships).

If the taxpayer chooses to claim the capital loss, he or she must complete Schedule Q1, Part II or III, as applicable.

In order to claim the credit, it will be necessary that the investor submits, along with his or her income tax return, a declaration stating the buyer's name, the dates of purchase and sale of the corresponding investment, the selling price, the adjusted basis of the investment, the total of the loss, and the total of credit to be claimed.

#### **Line 1 - Total of losses during the taxable year**

Enter the total of losses from the sale, exchange or other disposition of the qualified investment in eligible proprietary interest of the Funds or Designated Entities, if you are going to claim them as a credit. This amount is determined in Schedule Q1, Part II or III.

#### **Line 2 - Carryover losses not claimed in previous years**

The loss from the sale, exchange or other disposition of the qualified investment, will be considered as a capital loss, but you may elect to claim this loss as a credit against the tax determined in the taxable year of the loss and in the following 4 years. The amount of the loss that you may claim as credit in each one of the previously mentioned taxable years will not exceed from one third (1/3) of the loss.

The certification required in order to claim the credit (see instructions at the beginning of this Part) will be used as reference to determine the carryover from previous years.

**Any excess loss for which a credit against the income tax was not claimed on the aforementioned 5 taxable years, cannot be claimed as a deduction or an additional credit, neither can it be carried back nor carried over to another taxable year.**

Enter on this line the carryover of losses from previous years attributable to the Funds or Designated Entities that you could claim according to the limitations indicated in the previous paragraphs.

**Under Act 46, the investments do not generate credit for losses.**

#### **Line 4 - Total losses incurred in each one of the previous years**

You must enter on this line the original amount of each one of the losses incurred in previous years. Once the total of each one of said losses is claimed, the same will not be included on this line for next year.

#### **Line 6 - Maximum amount that you may claim as credit attributable to losses**

The amount of the loss that you may claim as a credit in the year of the loss and the following 4 years will not exceed from one third (1/3) of the loss indicated on line 5 of this Part in any year.

Enter on this line the third (1/3) part of the amount on line 5 of this Part.

In case of a Designated Entity, the amount of the loss cannot exceed 80% of the cost of the eligible proprietary interest:

- (I) reduced by the investment credit claimed or assigned by the investor, or if the qualified investment in a Designated Entity was acquired to substitute qualified investments in a Fund or other Designated Entity in which the investor did not recognize, in whole or in part, gains according with Act 3 in the sale, exchange or disposition, reduced by the amount of the non-recognized gain;
- (II) reduced by the amount of the distribution made by the Designated Entity treated as recapture of the investment in the qualified investment;
- (III) reduced by the tax benefit derived by the investment for losses in the Designated Entity that the investor may claim in his or her income tax return according with the Code;
- (IV) increased by the tax cost, gains or income of the Designated Entity included in his or her income tax return according with the Code.

#### **Line 8 - Tax determined in the return**

Enter on this line the total from:

- a. Form 482.0, Part 3, line 21, or
- b. Form 480.20, Part IV, line 42.

**Line 9 - Credit for taxes paid to the United States, its possessions and foreign countries and for contribution to the Educational Foundation for Free Selection of Schools**

Enter the tax paid to the United States, its possessions or foreign countries from:

- (a) Form 482.0, Part 3, line 17, or
- (b) Form 480.20, Part IV, line 43.

**Line 10 - Investment credit claimed during the taxable year related to the investment subject to loss, if any**

Enter the amount of the investment credit (the second installment of the credit under Acts 78, 225 and 70 or the carryover credit available from previous taxable years) concerning the investment which sale, exchange or other disposition generates the loss, if any.

**Line 12 - Credit to claim**

Enter on this line the smaller of the amounts of line 7 or 11 and transfer to:

- (a) Schedule B Individual, Part II, Subpart A. Credits Subject to Moratorium, line 1, or
- (b) Schedule B Corporation, Part II, Subpart A. Credits Subject to Moratorium, line 1.

**Line 13 - Prescribed credits from previous years**

Enter on this line the total of credits that prescribe in the taxable year attributable to losses in investment funds, after claiming the corresponding credit in this year.

**Line 14 - Carryover credit**

Subtract the sum of lines 12 and 13 from line 3. This is the balance of credit to carryover to future years, with the limitations stated in the instructions of line 2 of this Part.