



GOVERNMENT OF PUERTO RICO  
DEPARTMENT OF THE TREASURY  
PO BOX 9022501 SAN JUAN PR 00902-2501

# INDIVIDUAL INCOME TAX RETURN 2010

## MESSAGE FROM THE SECRETARY OF THE TREASURY

Dear taxpayer:

We at Hacienda are firmly committed to administer our tax system in a responsible and effective way for the benefit of all Puerto Ricans. It is important for all citizens to become part of this commitment, so that we can strengthen the socioeconomic development of the Country that we are part of, contributing to a better quality of life for all.

This year, a series of measures were approved aimed at reducing the tax burden imposed on all individuals. One of the most significant changes that is part of our tax reform "**More Money in your Pocket**", the most comprehensive of our history, is the concession of an **additional credit** against the determined income tax to every taxpayer with adjusted gross income from salaries, compensation for services rendered, pensions, annuities or any other income of similar nature. Depending on the adjusted gross income, the amount of credit may be 15%, 10% or 7% of the tax owed. With this initiative, we will be returning to our taxpayers **\$240 millions**.

Another benefit for this year, is the concession of a credit for alternate basic tax from previous taxable years. Also, under the Real Property Market Incentive Act, the total net long-term capital gain from the sale of a **qualified property** between September 1, 2010 and June 30, 2011 is exempt from the payment of income tax, and the limitation of capital losses allowed against ordinary income derived from such sale is increased to \$5,000.

As in past years, you will be able to electronically file your return if you use any software or application that has been certified by the Department of the Treasury, which can be accessed through our site on the Internet. I encourage you to use this alternative, which expedites the processing of the return, the receipt of refunds and reduces the possibility of mathematical errors. Also, this system allows you to access at any moment a copy of the electronically filed return, which will be valid for any personal transaction. The preparation and electronic transfer of the return will be free of charge to every taxpayer who files a Short Form and to salaried taxpayers whose adjusted gross income is \$50,000 or less and file a Long Form using only Schedules A, A1, B (Part II, line 6), H, I and J.

To clarify questions related to the preparation of the tax return or request information regarding the status of the same, refunds or payments, you can call (787) 722-0216. In addition, you can contact our Taxpayer's Service Centers located in Ponce, Mayaguez, Caguas, Bayamón, San Juan, Hato Rey (Mercantil Plaza), Arecibo and Aguadilla. Their telephone numbers are included in this booklet. If you need additional information, please visit our site on the Internet at [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr).

File your return on time. Become a part of this effort and contribute to the progress and well being of Puerto Rico! By doing this, we all win.

Juan Carlos Puig

# SHORT FORM

If you file on a calendar year basis or if you do not keep accounting records, you must file your return on or before April 15, 2011.

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## FILING REQUIREMENTS

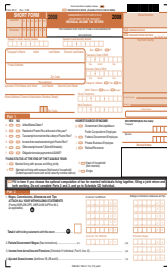
### WHO MUST FILE THE INCOME TAX RETURN?



- a) Every individual resident of Puerto Rico who is single (or married not living with spouse), that during the taxable year has a gross income over \$3,300;
- b) Every individual resident of Puerto Rico who is married living with spouse, that during the taxable year has individually or jointly, a gross income over \$6,000;
- c) Every individual not resident of Puerto Rico, citizen of the United States, who is single (or married not living with spouse), that during the taxable year has a gross income over \$1,300, unless the taxes have been totally paid at source;
- d) Every individual not resident of Puerto Rico, citizen of the United States, who is married living with spouse, that during the taxable year has individually or jointly, a gross income over \$3,000, unless the taxes have been totally paid at source;
- e) Every nonresident alien who has a gross income from sources within Puerto Rico, unless the taxes have been totally paid at source; or
- f) **Every individual who has a net income subject to alternate basic tax of \$75,000 or more.**

### WHO MUST FILE THE SHORT FORM?

Every individual who meets the following requirements must file the **Short Form**:



- ✘ Your gross income is \$75,000 or less.
- ✘ Your income consists only of salaries and wages subject to withholding in Puerto Rico, tips, wages from the Federal Government or payments from annuities and pensions.
- ✘ You do not claim a deduction for alimony payments.
- ✘ You claimed the standard deduction (do not itemize).
- ✘ You only claim the Credit for Salaried Taxpayers, the Credit for Contributions to the Educational Foundation for Free Selection of Schools, the Credit for the Acquisition or Manufacture and Installation of Electric Solar Equipment, the Compensatory Credit for Low Income Pensioners, the Employment Credit, the American Opportunity Tax Credit or the Additional Credit.
- ✘ You are not required to pay estimated tax.
- ✘ You are a United States citizen or a resident alien, who do not participate in Major League Baseball Games or U.S. National Basketball Association Games celebrated in Puerto Rico.
- ✘ You do not file under the status of married filing separate returns.
- ✘ **Your net income subject to alternate basic tax is less than \$75,000.**
- ✘ If you choose the optional computation of tax for married individuals living together, filing a joint return and both working, and the net taxable income or the net income subject to alternate basic tax of any of the spouses is less than \$37,500.

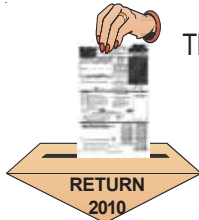
If you do not meet all these requirements, you must file the **Long Form**.

### WHEN THE RETURN MUST BE FILED?



If you file on a calendar year basis or do not keep accounting records, you must file your return on or before **April 15, 2011**.

### WHERE THE RETURN MUST BE FILED?



The return can be mailed to the following address:

DEPARTMENT OF THE TREASURY  
PO BOX 50072  
SAN JUAN PR 00902-6272

Make sure to indicate on the envelope the concept applicable to your return.

You can also deliver your return to the Department of the Treasury at Intendente Alejandro Ramírez Building in Old San Juan, at the District Offices, at the Internal Revenue Collections Office of your Municipality or at the Orientation and Return Preparation Centers.

## TAXPAYER'S BILL OF RIGHTS

The Taxpayer's Bill of Rights grants the following rights under the Code:

To receive a proper, considerate and impartial treatment.

Confidentiality of the information submitted.

All interviews must be at a reasonable time and place for the taxpayer, in coordination with the employee of the Department of the Treasury (Department).

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

To receive an explanation of the process to which the taxpayer will be exposed and subject, and the rights that assist him.

Be assisted by an attorney, accountant, certified public accountant or any other authorized person, at any moment during the interview.

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 prior to the payment of the cost thereof.

Be informed of the nature of your tax liability.

Be advised of your right against self-incrimination, 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.

Consult and be advised by an attorney, accountant, certified public accountant, or authorized agent to represent you within the Department, or to be able to finish the interview even when it had commenced.

Be notified in writing of any adjustment made by the Department as a result of a tax audit when it involves the addition of interest, penalties and surcharges, as provided by the Code, as well as the exact amount of the adjustment and the reasons for such changes.

Waive the rights described in the preceding paragraphs, if such waiver is made knowingly and voluntarily.

Grant a written power 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.

Not to be discriminated because 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 containing 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's Rights.

### OFFICE FOR THE PROTECTION OF TAXPAYER'S RIGHTS

The Office for the Protection of Taxpayer's Rights (Ombudsman of the Taxpayer) was created to assure the compliance of the provisions of the Taxpayer's 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 to the problems and claims of the taxpayers and to facilitate the process between the taxpayers and the Department of the Treasury. Also, the Ombudsman of the Taxpayer has authority to prevent or correct any infringement by any employee of the Department of the rights of the taxpayer.

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

## RELEVANT FACTS

### NEW TAX BENEFITS

- ↪ An Additional Credit that reduces the tax for taxable year 2010 is granted. Depending on the adjusted gross income, the amount of credit may be 15 %, 10 % or 7 % of the tax owed. In the case of married individuals who choose the optional computation of tax, the credit will be determined for each spouse individually.
- ↪ Increase from \$500 to \$600 in the additional contribution that individuals who are age 55 or older can make to a Health Savings Account with a High Annual Deductible Medical Plan.

### SIGNIFICANT CHANGES ON THE RETURN

#### ↪ Part 4

**Line 16(E)** is added to claim the American Opportunity Tax Credit and **line 16(F)** to claim the Additional Credit.

#### ↪ Schedule B2 Individual

This schedule is provided in the Short Form to determine the American Opportunity Tax Credit.

### EVIDENCES OF THE RETURN

**You do not have to include with the return the evidences corresponding to the additional deductions and exemption for dependents. However, you must keep such evidences for at least 6 years**, in case that they may be required as part of an investigation or audit procedure. In such cases, if you do not present the evidences, your return may be adjusted and the corresponding interest and surcharges will be assessed over any balance of tax due.

### SOCIAL SECURITY NUMBER

**Enter your social security number in the corresponding space of the return and its schedules. This number is very important because it is necessary to process your return.**

### 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 and employer identification number. THE 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.**

### CHANGE OF ADDRESS

To notify a change of address **at the moment of filing the return, you will NOT have to complete Form SC 2898**

**(Change of Address).** You must write the new address in a clear and legible way in the space provided for this purpose in the return's heading, therefore, **do not use** the label. Also, you must fill in completely the oval (●) beside "Yes" in the space to indicate if there was a change of address.

On the other hand, if you change your address **at any other moment during the taxable year, you must use Form SC 2898**. It is available at the Forms and Publications Division, Office 603 of the Department of the Treasury in Old San Juan, or you may request it by calling (787) 722-0216. Also, you may obtain it accessing our site on the Internet: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr).

### AREA CODE

You must indicate the area code (**787** or **939**) in the space provided in the heading of the return to write the phone number of your residence and work.

### RETURNED CHECKS

Every returned check drawn on behalf of the Secretary of the Treasury will be subject to a \$25.00 minimum charge. This charge is in addition to any other interest, surcharges or penalties provided by the Code or any other fiscal law for omissions in fulfilling your tax responsibility. The Department will make the collection in a traditional or electronic manner.

### FILE THE TAX RETURN THROUGH THE INTERNET

To expedite the process of your Income Tax Return, you will be able to file it through the Internet using any program or application certified by the Department. In order to facilitate the authentication process, you can use the personal identification number (PIN) located on the label placed on the back of this booklet. This option is available for the individual returns (refund, with payment and without payment). For additional information, visit our webpage: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr).

If you request the direct deposit of your refund into your checking or savings account, be sure that the correct information has been entered in the screen corresponding to Part 5 of the certified program or application used to file your return electronically.

### SCHEDULE A1 INDIVIDUAL

On this schedule you must include all the information related to the dependents claimed on the return. **If all the information requested on this schedule is not submitted or the schedule is not included, the exemption will be rejected.**

You must also include on this schedule the information of the beneficiaries, financial institution and the amounts contributed to an Educational Contribution Account.

**EXAMPLE A**

**John Doe**  
**Jane Doe**  
Calle Principal # 19  
Ponce PR 00731

0249

---

PAY TO THE ORDER OF \_\_\_\_\_ \$

---

ANY BANK  
Any Place, Ponce PR 00731

DOLLARS

FOR \_\_\_\_\_

Routing/  
Transit  
Number
Account  
Number
Do not include the  
check number

⑆ 0 2 1 6 0 1 2 4 4 ⑆ 0 1 2 2 4 4 4 0 0 ⑆ 0 2 4 9

**Part 5**

**AUTHORIZATION FOR DIRECT DEPOSIT OF REFUND**

Type of account:  Checking  Savings

Routing/transit number: 0 2 1 6 0 1 2 4 4

Account number: 0 1 2 2 4 4 4 0 0

Account in the name of: J O H N D O E and J A N E D O E

(Print complete name as it appears on your account. If married and filing jointly, include your spouse's name)

**DIRECT DEPOSIT OF REFUND**

You can receive your refund faster and safely. The Department of the Treasury can deposit your refund directly into your checking or savings account.

To authorize the Department of the Treasury to deposit your refund directly into your account, you must meet the following requirements:

- **Complete Part 5 - Authorization for Direct Deposit of Refund**

**Type of Account** - Indicate if the deposit will be made into your checking or savings account, by filling in completely the oval corresponding to the type of account.

**Routing/Transit Number** - Enter the routing/transit number of your account. This information appears on the check (see Example A). In the case of a savings account, you must call the financial institution to obtain the routing/transit number. **Do not leave blank spaces. Do not use hyphens or other symbols.**

**Account Number** - Enter the checking or savings account number (see Example A). **Do not use hyphens or other symbols.** Do not fill out blank spaces with zeros. The account number may have less numbers than the spaces provided for this purpose in this part.

**Account in the name of** - Enter your name, as it appears on your account. In the case of married taxpayers filing jointly, **the account must be in the name of both spouses.**

- **In the case of married taxpayers filing jointly, the return must be signed by both spouses.**

➤ **All the information requested must be completed. Otherwise, the financial institution and the Department of the Treasury may reject the transaction.**

➤ **The account must be in a participating financial institution. You must verify this information directly with the financial institution.**

The Department of the Treasury is not responsible if the financial institution rejects the direct deposit of your refund. The financial institution will send a pre-notification to **confirm the information of the Direct Deposit of your Refund.**

If after processing the return, the refund is valid and the transaction was accepted, the Department of the Treasury will send you a Notification (Form SC 2716) to notify that your refund was deposited directly into your account.

If the transaction is rejected by the financial institution or if the information submitted on your Income Tax Return is incomplete, a Notification (Form SC 2717) and a check for your refund will be sent by mail.

On the other hand, if after processing the return, no refund is due, a notification will be sent in relation to the adjustment.

**ENVELOPE TO SEND THE RETURN**

In order to identify the return faster, you must indicate on the envelope the applicable concept: return with refund, total payment, payment of the first installment (deferred payment), payment through electronic transfer, exempt and others. Make sure to fill in the corresponding oval.





**FEDERAL EMPLOYEES - Exclusion of the Cost of Living Allowance (COLA)**

The COLA received by civilian employees of the Federal Government is excluded from the gross income up to the amount exempt under the Federal Internal Revenue Code. In order to claim this exclusion, the taxpayer must include with the tax return the evidence to show the amount received during the year. Nevertheless, the Department may revoke the privilege granted for the exclusion if it is determined that the taxpayer did not comply with his/her tax responsibilities at any moment. In that case, the taxpayer must have to pay the amount due with the corresponding interest, surcharges and penalties.

**PROVISIONS APPLICABLE TO CERTAIN MILITARY PERSONNEL**

**Exclusion from Income**

Any compensation received from active military service rendered by military personnel in a combat zone designated as such by the President of the United States is exempt from the payment of income tax. This exclusion shall not apply to military personnel transferred outside of Puerto Rico to replace military personnel sent to the combat zone.

**Extension of Time to File**

An extension of 6 months to file the income tax return shall be granted to any taxpayer who has been activated and transferred to render military services outside of Puerto Rico during any warlike conflict. Said extension shall be granted from the date in which the taxpayer ceases in the active military service. To enjoy this benefit you should:

1. File the return within the 6 months beginning from the date in which you ceased in the active military service.
2. Indicate in the upper central part of the return's first page, the place of the warlike conflict in which you were active.
3. Attach to the return the military orders showing your transfer outside of Puerto Rico, your stay in a warlike conflict, and the date of your return.

If you file the return following these indications, the extension shall be considered as granted.

**Extension of Time to Pay**

An extension of 6 months to pay the tax shall be granted to every taxpayer that during any warlike conflict is activated and transferred to render military service outside of Puerto Rico. Such extension shall be granted from the date in which the taxpayer ceases in the active military service.

Also, it shall be exempt from the payment of interest, the tax declared on the return which payment had been extended.

**RETURN WITH CHECK**

Every taxpayer who sends a check with the return must attach the same to the upper part of the return's first page. This will allow us to apply the payment promptly and minimize mistakes in processing the return. It is important that you fill in the corresponding oval on the envelope.

**PAYMENT OF TAX THROUGH ELECTRONIC TRANSFERS**

You may pay the total or the first installment of income tax declared on the income tax return (if applicable), through electronic transfer using the telephone. You may also make the second installment of income tax using this method. This service is exclusive for clients of the participating banking institutions. You must have your social security number and bank account number at the moment of making the call.

**Procedure**

1. Call your banking institution and ask for this service.
2. In the space provided for this purpose on line 20(b) of the return, write the transaction number provided by your banking institution.
3. In the upper left part of the return's envelope you must fill in the oval corresponding to payment through electronic transfer.
4. Mail your return on or before April 15.

Also, if you file your return electronically using a program or application certified by the Department, you must include in the screen corresponding to the payment, the name, routing/ transit and account number for which you authorize the electronic debit and the amount of the payment on line 20(a) of Part 4 of the return.

For additional information, see our webpage: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr) or contact our Taxpayer's Service Centers.

**OVERPAYMENT APPLICATION**

Any overpayment will be applied against any exigible tax liability imposed by the Code. If married and one of the spouses owes taxes, the overpayment may be applied to any exigible debt.

**RETENTION OF REFUND FOR THE CONCEPT OF CHILD SUPPORT**

If you are a parent who has the obligation to provide child support to your children through the Child Support Administration (ASUME) and you owe said pension, your refund may be retained. If you understand that the retention does not apply, you will have 10 days from the date of the notification to object the same at the ASUME office nearest to your residence.



## TAXPAYER'S SERVICE FACILITIES

In the Taxpayer's Service Centers, besides **informing about the status of your refund**, other services are offered: Tax Return Filing Certifications, Return's Copies, assistance for Cases of Inheritance and Donations, Individuals, Corporations or Partnerships and Professional Services Withholding Waivers.

Following are the postal address and telephone number of the Calls and Correspondence Center and the location of each one of our Service Centers:

### ☞ **Calls and Correspondence Center**

PO BOX 9024140  
SAN JUAN PR 00902-4140  
Telephone: **(787) 722-0216**

### ☞ **San Juan Services Center**

Intendente Ramírez Building  
10 Paseo Covadonga  
Office 101

### ☞ **San Juan Services Center - Mercantil Plaza**

Mercantil Plaza Building  
255 Ponce de León Ave.  
Stop 27½, Hato Rey

### ☞ **Bayamón Services Center**

Road #2  
2<sup>nd</sup> Floor, Gutiérrez Building

### ☞ **Caguas Services Center**

Goyco Street, Acosta Corner  
1<sup>st</sup> Floor, Governmental Building, Office 110

### ☞ **Mayagüez Services Center**

Governmental Center  
50 Nenadich Street, Office 102

### ☞ **Ponce Services Center**

Governmental Center  
2440 Las Américas Ave., Office 409

## TECHNICAL ASSISTANCE

For additional information on the technical contents of this booklet or to clarify any doubts, please call **(787) 722-0216**.

## HACIENDA MAKING CONNECTION

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

☞ Electronic transfer of the Individual Income Tax Return using programs or applications certified by the Department

☞ 2010 W-2 & Informatives Returns Program

☞ Payments Online

☞ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)

☞ Forms, Returns and Informative Booklets, such as:

- Income Tax Return of Taxable Corporations and Partnerships

- *Modelo SC 2800 - Planilla de Contribución sobre Caudal Relicto* (Spanish only)

- *Modelo SC 2800A - Planilla Corta de Contribución sobre Caudal Relicto* (Spanish only)

- *Modelo SC 2788 - Planilla de Contribución sobre Donaciones* (Spanish only)

- Informative Booklet to Provide Orientation about your Income Tax Return (Spanish and English)

- Informative Booklet to Provide Orientation on the Income Tax Responsibilities of Federal, Military and Other Employees

- Informative Booklet regarding the Withholding of Income Tax at Source in Case of Professional Services (Spanish and English)

- *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* (Spanish only)

- Employer's Quarterly Return of Income Tax Withheld (Spanish and English)

- Withholding of Income Tax at Source on Wages - Instructions to Employers (Spanish and English)

☞ Circular Letters and Administrative Determinations, such as:

- Internal Revenue Circular Letter No. 02-09 of June 28, 2002 - Withholding on Payments for Services Rendered

- *Carta Circular de Rentas Internas Núm. 02-10 de 9 de julio de 2002 - Exclusión de la Retención del Siete por Ciento (7%) sobre los Pagos por Servicios Prestados a los Contratistas por Concepto de Construcción de Obras* (Spanish only)



- *Carta Circular de Rentas Internas Núm. 02-13 de 24 de julio de 2002 - Retención sobre Pagos Efectuados por Servicios Prestados a Ciertos Sectores o Categorías de Empresas o Negocios (Spanish only)*
- *Carta Circular de Rentas Internas Núm. 06-27 de 28 de diciembre de 2006 - Enmienda a la Carta Circular de Rentas Internas Núm. 02-13 del 24 de julio de 2002 Relacionada a la Retención sobre Pagos Efectuados por Servicios Prestados a Ciertos Sectores o Categorías de Empresas o Negocios (Spanish only)*
- *Determinación Administrativa Núm. 05-02 de 10 de junio de 2005 - Tratamiento Contributivo sobre Pagos Realizados Mediante Acuerdos Transaccionales (Spanish only)*
- *Determinación Administrativa Núm. 07-01 de 12 de enero de 2007 - Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Incapacidad Ocupacional y No Ocupacional; y Pago por Terminación de Empleo (Spanish only)*
- *Determinación Administrativa Núm. 07-03 de 4 de abril de 2007 - Aportaciones y Transferencias de Cuentas de Aportación Educativa (Spanish only)*
- *Determinación Administrativa Núm. 08-04 de 22 de mayo de 2008 - Enmienda a la Determinación Administrativa Núm. 07-01 Relativa al Tratamiento Contributivo de Indemnización Recibida por Concepto de Daños y Perjuicios, por Razón de Angustias Mentales Incidentales a Daños Físicos (Spanish only)*

## SUGGESTIONS TO AVOID MISTAKES WHEN FILING YOUR RETURN

2010

1. Write all the information in a clear and legible way, and fill in the ovals completely.
2. **Make sure to write your social security number on the return and schedules.**
3. Verify that your **social security number** is the one shown on the Withholding Statement.
4. Notify your change of address writing clearly and legible the new address in the space provided for this purpose in the heading of the return.
5. In the case of a married couple filing jointly, the return may be filed under the name of any of the spouses.
6. If your net income subject to alternate basic tax is \$75,000 or more, **you must file the Long Form of the return.**
7. Married couples who choose the optional computation of tax in the case of married individuals living together, filing a joint return and both working (optional computation), they must make sure to fill in completely the oval provided to indicate this option in Part 1 of the return and to include Schedule CO Individual.
8. Married couples who choose the optional computation and the net taxable income or the net income subject to alternate basic tax of any of the spouses is \$ 37,500 or more, **must file the Long Form of the return.**
9. **Include all Withholding Statements (Forms 499R-2/W-2PR or W-2) with your return.**
10. **Contributions made to Qualified Plans** (Part 15, Withholding Statement) are excluded from the salaries (Part 11). Therefore, **do not consider them again as a deduction.**
11. If you claim ordinary and necessary expenses, make sure that you only claim the **smaller** of 4% of your salary, \$1,500 or the amount actually incurred.
12. If you claim automobile loan interests, make sure not to exceed \$1,200.
13. **Do not include your spouse as a dependent. A married individual living with his spouse is not a head of household for tax purposes**, therefore, he should not include the wife's name in the box for head of household.
14. **If you claim the head of household filing status, include the dependent who entitles you to claim such status on the line for Head of Household (01) of Schedule A1 Individual, but do not claim the exemption for this dependent.**
15. Complete **Schedule A1 Individual** with all the information regarding your dependents and beneficiaries of Educational Contribution Accounts and send it with the return.
16. Sign your return with **ink** and in the case of a joint return, make sure that **both spouses sign it.**
17. Use the correct tax return that applies to you: Short Form or Long Form.
18. Make sure to indicate on the envelope the concept applicable to your return: **Refund, Total Payment, Payment of the First Installment (Deferred Payment), Payment through Electronic Transfer, Exempt and Others.** Make sure to fill in the corresponding oval.

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### ADDITIONAL CHILD TAX CREDIT FOR BONA FIDE RESIDENTS OF PUERTO RICO

(Benefit provided by the Federal Government to qualified residents of Puerto Rico)

The U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico) (Form 1040-SS) enables you to claim the Additional Child Tax Credit, if you comply with the following requirements:

- you are a bona fide resident of Puerto Rico;
- you made contributions to Social Security or Medicare from your salaries or paid the U.S. self - employment tax; and
- you have three (3) or more children under the age of 17.

**For additional information and free tax return preparation assistance through the Volunteer Income Tax Assistance Program Centers (VITA), you must contact the Internal Revenue Service at (1) (800) 829-1040.**



# INSTRUCTIONS TO COMPLETE THE SHORT FORM RETURN

To fill out this form you must consider the following:

1. Type or print in black or blue ink.
2. Write in a clear and legible way. Use capital letters.
3. When writing the characters (numbers and/or letters), you must be sure to write them inside the boxes, not touching the borders.



4. Write only one character per box, as shown in previous item number 3.
5. Do not use marks (dashes or hyphens), neither fill out with zeros those boxes that do not apply to you. You should leave them blank.
6. Fill in completely the ovals:

Correct:

Incorrect:

7. **Staple the return, schedules and evidences in the upper central part of the document.** This is necessary to avoid damages to the barcode that identifies the return and schedules.

## NAME, ADDRESS AND SOCIAL SECURITY NUMBER

The mailing label located on the back of the instructions booklet that is received automatically by mail, should be placed on the upper section of page 1 of the return. Its purpose is to allow us to process promptly the return and avoid mistakes that could delay any notice from the Department.

If you did not receive the labeled return through the mail, print with ink or type the required information on the spaces provided.

**It is important that you write your social security number in the corresponding box of the return and schedules. This number is necessary to process your return.**

## ELECTRONIC ADDRESS (E-MAIL)

If you have an electronic mail address, include it in the space provided for this purpose.

## CHANGE OF ADDRESS

If there was a change of address at the moment of filing the return, fill in completely the corresponding oval and write clearly and legible your new address. This allow us to keep our records up to date and send you any notice to the correct address.

## AMENDED RETURN

If after filing your original return, you find out that you omitted some income, did not claim a certain deduction or credit, or claimed a deduction or credit for which you do not qualify, you must amend the return. Fill in completely the oval corresponding to **Amended Return**.

Such return must be filed within 4 years from the date the original return was filed.

## TAXPAYER DECEASED DURING THE TAXABLE YEAR

If a taxpayer dies during the taxable year, the administrator or representative must file an income tax return including the income derived until the date of death, on or before the 15th day of the fourth month following the date of death. Such return shall be signed by the administrator or representative. If the taxpayer was married and living with his/her spouse, two returns will be filed: one including both spouses' income from January 1st to the date of death, and another with the surviving spouse's income for the remaining months of the year.

The personal exemption on the first return will be married living with spouse. On the second one, the surviving spouse can claim the personal exemption he or she is entitled to at the end of the taxable year.

Fill in completely the oval corresponding to **deceased during the year**, which is located at the top right side of the return. Indicate the date of death and keep for your records copy of the Death Certificate.

## TAXPAYER MOVED TO PUERTO RICO DURING THE YEAR

If you were a resident of another country and changed your residence to Puerto Rico during the taxable year, you must inform the Commonwealth of Puerto Rico the income received from the date of the residence change until the end of your taxable year and the income from sources within Puerto Rico while not residing in Puerto Rico.

A taxpayer's residence is determined based upon the facts and circumstances of each case. Generally, an individual is considered a bona fide resident of Puerto Rico if he/she is domiciled in Puerto Rico. It shall be presumed that an individual is a resident of Puerto Rico if he/she has been present in Puerto Rico for a period of 183 days during the calendar year. However, if his/her intention regarding to his/her stay is merely temporary and meets other requirements, even when he/she had been in Puerto Rico 183 days or more, he/she may not be considered a resident of Puerto Rico.

The income from sources outside of Puerto Rico received by an individual attributable to the period when he/she was not a resident of Puerto Rico is not taxable in Puerto Rico. Therefore, deductions attributable to the amounts so excluded from the gross income will not be allowed.



Nonresident individuals will be taxed in Puerto Rico only on their income from sources within Puerto Rico.

In the same way, if the individual changes his/her residence from Puerto Rico to the United States or a foreign country, he/she will include on the Puerto Rico income tax return all the income earned until the date he/she changed his/her residence to the United States or a foreign country, independently of the source of said income. Also, he/she will include on his/her income tax return the income from sources within Puerto Rico earned after the change of residence.

## PART 1 - TAXPAYER'S INFORMATION

### QUESTIONNAIRE

Fill in completely the applicable oval to indicate if you are a United States citizen and if you were a resident of Puerto Rico at the end of the taxable year. Indicate if you make child support payments through the Child Support Administration (ASUME). Also, you must inform if you received tax exempt income during the year (Example: social security income, prizes from the Lottery of Puerto Rico or from racetrack winnings). **You must submit a schedule with a detail of the same.**

### HIGHEST SOURCE OF INCOME

Fill in completely the applicable oval in accordance with your highest source of income.

### FILING STATUS AT THE END OF THE TAXABLE YEAR

Fill in completely the oval that identifies your filing status at the end of the taxable year:

- 1) **Married living with spouse** - This filing status is for those individuals that at the end of the year are legally married and living together with his or her spouse. If your spouse died during the year and you did not remarry in said year, you must file a return as married living with spouse up to the date of the death, and another as single or as head of household, from the date of the death up to the end of the year. **You must submit your spouse's name and social security number.**
- 2) **Married not living with spouse** - This filing status is for those individuals that at the end of the year are not legally separated from their spouses and do not qualify as head of household. **You must submit your spouse's name and social security number.**
- 3) **Head of household** - This filing status is for those individuals, not married, who really support and maintain in one household, one or more dependents closely related to them by blood, marriage or adoption. If you are not legally separated from your spouse, you can qualify as head of household subject to compliance with the requirements of the Code and its regulations.

- 4) **Single** - This filing status is for those individuals that have never been married, are legally separated by a divorce decree or those who are widows and have not remarried at the end of the taxable year.

### OCCUPATION

Inform the nature of your and your spouse's occupation. In order to facilitate the description of the activity in which you are engaged, enter the code that better describes it using the Occupational Code List provided on page 29.

### OPTIONAL COMPUTATION OF TAX

If you choose the **optional computation of tax** in the case of married individuals living together, filing a joint return and both working, **fill in completely the corresponding oval** in this Part 1. **Do not complete Parts 2 and 3 of the return and go to Schedule CO Individual.** (See instructions of Schedule CO Individual).

## PART 2 - ADJUSTED GROSS INCOME

### CHILD INCOME (Section 1022(j))

All income received by a child for a service rendered must be included as part of his/her gross income and not in the gross income of the parents. The child will have the obligation to file a return if his/her gross income exceeds \$3,300 and will have the right to claim all the deductions provided by law that are applicable. On the other hand, passive income such as interest, dividends, donations, prizes and contests, among others, will not be included as part of the gross income of the child. Therefore, that income will be included on the parent's return.

If the child receives income from services rendered and said gross income does not exceed \$2,500, the parents can claim him/her as a dependent. In case that the child is a regular student, said gross income should not exceed \$3,400.

### Line 1 - Wages, Commissions, Allowances and Tips

Enter on line 1, Column B, all the wages, commissions, allowances and tips subject to withholding in Puerto Rico received by you or your spouse during the taxable year. This information is found in Part 11 of the Withholding Statement (Form 499R-2/W-2PR). Enter on line 1, Column A, the Puerto Rico income tax withheld by each one of your employers shown in Part 13 of the Withholding Statement. If there is no tax withheld, enter zero.

Enter in the space provided in Part 2, line 1, the number of withholding statements included with your return.

Add the amounts of Column A and enter the total income tax withheld at the bottom of the column. Add the amounts in Column B and enter the total of wages, commissions, allowances and tips at the bottom of that column.

**Make sure to include with your return all Withholding Statements (Form 499R-2/W-2PR).**



**Line 2 - Federal Government Wages**

Enter the total of Federal Government income from salaries and wages received, excluding the Cost of Living Allowance (COLA). To determine if you qualify for this exclusion, refer to RELEVANT FACTS - FEDERAL EMPLOYEES.

Also, you can refer to the Informative Booklet to Provide Orientation on the Income Tax Responsibilities of Federal, Military and Other Employees.

**Include the corresponding copy of the W-2 Form with your return.**

**Line 3 - Income from Annuities and Pensions**

Enter the income from pensions determined on Schedule H Individual, Part II, line 12. For additional information, see INSTRUCTIONS TO COMPLETE THE SCHEDULES.

**You must submit Schedule H Individual with your return.**

**PART 3 - DEDUCTIONS, PERSONAL EXEMPTION AND EXEMPTION FOR DEPENDENTS**

**Line 5 - Standard Deduction and Personal Exemption**

Enter the amount of your standard deduction and personal exemption corresponding to your filing status. If you are married filing jointly, enter \$6,150; if married not living with spouse, enter \$3,400; if head of household, enter \$5,730; if single, enter \$3,400.

**Line 6 - Additional Deductions**

In addition to the standard deduction, you are entitled to claim the following deductions. **Remember not to submit evidence of the same with the return. However, you must keep the evidences of these deductions for your records for at least 6 years**, in case that they may be required eventually by the Department.

**Line 6A - Contributions to individual retirement accounts**

Enter all contributions made to a qualified Individual Retirement Account (IRA). **The maximum deduction for an individual is \$5,000** or the adjusted gross income from salaries or the earnings attributable to professions or business, whichever is smaller.

In order to claim this deduction, the IRA must be in a trust created or organized under the laws of the Commonwealth of Puerto Rico, among other requirements.

In the case of married taxpayers filing a joint return, this deduction cannot exceed \$10,000 or the aggregated adjusted gross income from salaries or the earnings attributable to professions or business, whichever is smaller. However, the deduction for each spouse cannot exceed \$5,000.

No deduction is allowed for a taxable year in which the individual has reached 75 years of age on or prior to the end of the taxable year. **Also, no deduction is allowed if the income is from pension or annuity.**

The taxpayer will have until the due date established by the Code to file the return, or until the due date of any extension of time granted by the Secretary to file the return to make a contribution to his/her IRA.

**In the spaces provided on this line enter the name and employer identification number of the financial institution, the account number and the total contributions made.**

**You must keep for your records the Informative Return - Individual Retirement Account (Form 480.7) provided by the bank or institution in which you established the account.**

**Line 6B – Contributions to health savings accounts with a high annual deductible medical plan**

In the case of an eligible individual, enter the contributions made during the taxable year by himself or someone who made the contributions for his/her benefit, to a Health Savings Account with a High Annual Deductible Medical Plan (Health Savings Account).

The limit of the contributions will depend on the type of coverage, whether individual or family, and the number of months during the year for which you were eligible. If you were eligible during the whole year and have an individual coverage, the contribution cannot exceed the smaller amount between the annual deductible under such coverage and \$2,850. On the other hand, if you have a family coverage, the contribution cannot exceed the smaller amount between the annual deductible under such coverage and \$5,650. Those individuals who reach the age of 55 before the close of the taxable year, can make an additional contribution of up to \$600 for the 2010 taxable year.

If you were not eligible during the whole year, divide the previously established limits between 12 and multiply this amount by the number of months for which you were eligible.

In the case of married persons, if any of the spouses has a coverage under a family insurance plan, both will be treated as if they only have the family coverage and if both spouses have a family coverage under different plans, the plan with the smaller annual deductible will be considered.

The taxpayer can make the contribution to his/her Health Savings Account until the last day established by the Code to file the return, or until the due date of any extension of time granted by the Secretary to file the same.

**In the spaces indicated on this line enter the name and employer identification number of the institution, the account number, the total contributions made, the annual deductible, the effective date and the type of coverage.**



**You must keep for your records the certification issued by the institution in which you established the account.**

**Line 6C - Contributions to governmental pension or retirement systems**

Enter all cash contributions made during the year to a pension or retirement system, other than Social Security, established by the Congress of the United States, the Legislative Assembly of Puerto Rico, the municipalities, agencies, instrumentalities and public corporations of Puerto Rico.

This contribution must be informed in Part 14 of the Withholding Statement (Form 499R-2/W-2PR) or on Form W-2, if you are a federal employee.

**Line 6D - Deduction for Veterans**

Enter **\$1,500** if you are a resident of Puerto Rico and a veteran of the United States Armed Forces.

**Keep for your records copy of Form DD-214 (Discharge from U.S. Armed Forces).**

**Line 6E - Ordinary and necessary expenses**

Enter the amount determined on Schedule I Individual, Part I, line 8. This deduction is limited to the smaller of the amount paid up to \$1,500 or 4% of the salary.

**Line 6F - Automobile loan interest**

Enter the interest paid or accrued on a loan for the acquisition of an automobile which is guaranteed by it. Also include, in the space provided, the name of the financial institution, the loan number and the employer identification number of the institution granting the loan. **The deduction will not exceed \$1,200 and it shall be allowed for only one vehicle.**

**You must keep for your records a certification from the bank or financial institution as evidence of the deduction claimed.**

**Line 6G - Young people who work**

Enter the amount of **\$1,000** if you are a young person who work and your age ranges between 16 and 25 at any moment of the taxable year.

**Line 6H - Educational Contribution Account**

Enter the cash contributions to an educational contribution account for the exclusive benefit of a child or relative up to the third degree of blood relationship or second degree by affinity. The maximum contribution amount **can not exceed \$500 for each beneficiary.**

The account must be established only by the individual who has the custody and the parental rights and obligations conferred by law of the beneficiary for whom the account was established. There is no limitation in the number of educational contribution

accounts to which each individual can contribute, as long as such beneficiary is eligible. Under no circumstances, the total contributions for each beneficiary account can exceed \$500.

This deduction will not be allowed for a taxable year in which the beneficiary has reached the age of 26 before the closing of such taxable year.

The taxpayer will have until the due date established by the Code to file the return, or until the due date of any extension of time granted by the Secretary to file the return, in order to make a contribution to an account.

Transfer to this line the total of Schedule A1 Individual, Part II, line (10).

**You must keep for your records the certification issued by the institution which receives the contributions.**

**Line 6I - Acquisition and installation of a personal computer used by dependents**

Enter the amount up to a maximum of \$500 for the expenses incurred in the acquisition and installation of a personal computer in your residence to be used by your dependents.

For purposes of this deduction, a dependent is a person who at the end of the taxable year has not reached the age of 21 and who receives more than half of the support from the taxpayer.

**You must keep for your records evidence of the payment for the acquisition and installation of this equipment. This deduction can only be claimed once by the taxpayer.**

**Line 6J – Contributions to the Endowment Fund of the University of Puerto Rico**

Enter the amount of contributions made during the year to the Endowment Fund of the University of Puerto Rico. **You must keep for your records copy of canceled checks or its equivalent, in case of electronic contributions, that evidence the same.**

**Line 6K – Deduction when both spouses work**

**Enter \$3,000 if the taxpayer is married living with spouse and filing jointly, and both spouses receive earned income.**

The term **earned income** includes salaries, wages, professional fees and other amounts received as compensation for personal services actually rendered. The amount received by a taxpayer or his spouse from annuities or pensions is not considered earned income.

**Taxpayers who choose the optional computation of tax in the case of married individuals living together, filing a joint return and both working, can NOT claim this deduction.**



**Line 7 - Telephone service payment for communication with military personnel in combat zone**

Enter the total telephone service payment up to a maximum of \$200, for the expense incurred in the telephone communication with your spouse, brother (sister), son (daughter), grandchild, parent or grandparent who is in active service as military personnel in a combat zone.

In order to claim this deduction, including the military personnel, you must submit with the return your telephone calls registry showing the calls originated from your telephone number or originated from the telephone number where the military personnel is located and is charged to your telephone number.

When the call is originated in Puerto Rico from a telephone number other than the one corresponding to the person claiming this deduction, or in the absence of telephone service of your own, said person, along with the person in the name of which the telephone calls registry appears, must present a joint sworn declaration stating that the payment of the telephone calls were made by the person claiming the deduction and the receipt of such payment by the other person.

For purposes of this deduction, **military personnel** includes the members of the United States Armed Forces, as well as the members of the Puerto Rico National Guard who are activated during the period of the conflict and serve in the combat zone. On the other hand, **combat zone** means the area designated through an Executive Order from the President of the United States as the area in which the United States Armed Forces will be in combat during the period of the conflict.

**Line 8 - Exemption for Dependents**

Enter in the spaces provided in Part 3, lines 8A through 8C, the number of dependents claimed according to their category:

Line	Category	Class
8A	(N)	Non university
8B	(U)	University students
8C	(I)	Disabled, blind or age 65 or older

Multiply the amount of dependents claimed on each line by \$2,500 and enter the result in the space provided. Add lines 8A, 8B and 8C and enter the total on line 8D.

The Code requires you to indicate on your return the social security number of any dependent claimed who is age one or older at the end of the taxable year. When filing your return, you must include on **Schedule A1 Individual**, the name, date of birth, relationship, and social security number of each dependent claimed. **If you do not complete Schedule A1 Individual, nor meet these requirements, the exemption may be disallowed.** If the dependent does not have a social security number, you must request it at the nearest Social Security Office.

**If you claim the head of household filing status, do not claim the exemption for the dependent who entitles you to claim such status.**

For the **definition of dependent**, refer to the instructions for **Schedule A1 Individual**.

**PART 4 - TAX COMPUTATION, CREDITS AND TAX WITHHELD OR PAID**

**Line 11 - Tax Determined**

Use the following Table to compute your tax. Determine your tax considering your Net Taxable Income (Part 3, line 10). Enter the total tax on this line.

**TAX COMPUTATION TABLE**

**For a married person living with spouse and filing jointly, married person not living with spouse, single person or head of household**

If your net taxable income (line 10) is:	Your tax will be:
Not over \$17,000	7%
Over \$17,000, but not over \$30,000	\$1,190 plus 14% of the excess over \$17,000
Over \$30,000, but not over \$50,000	\$3,010 plus 25% of the excess over \$30,000
Over \$50,000	\$8,010 plus 33% of the excess over \$50,000

Those taxpayers who choose the optional computation of tax, may be subject to the alternate basic tax and the gradual adjustment. That is, if the net taxable income (Schedule CO Individual, line 10, Column B or C) or the net income subject to alternate basic tax for any of the spouses is \$37,500 or more. If you are subject to the payment of such taxes, you must file the Long Form of the return and complete Schedules O Individual and P Individual, as applicable.

**Line 12 - Credit for Salaried Taxpayers**

Every taxpayer who is single, head of household, or married filing jointly, whose adjusted gross income does not exceed \$10,000 and whose **only source of income consists of salaries**, is entitled to claim a tax credit up to the amount of the determined income tax. For purposes of this credit **the term salaries does not include the amounts received from annuities or pensions.**

To determine if you qualify for this credit on the Short Form of the return, the term **adjusted gross income** means: gross income less the allowable deduction for ordinary and necessary expenses. In other words, the total of lines 1B and 2B of Part 2



less line 6E of Part 3 of the return (or line 8, Part I of Schedule I Individual) can not exceed \$10,000.

Use the following worksheet to facilitate the determination of the adjusted gross income for purposes of this credit.

**WORKSHEET**

<b>Determination of the Adjusted Gross Income for purposes of this credit:</b>	
Line 1B, Part 2 of the return .....	_____
<b>Plus:</b> Line 2B, Part 2 of the return .....	_____ + _____
Total .....	\$ _____
<b>Less:</b> Line 6E, Part 3 of the return .....	( _____ )
<b>Adjusted Gross Income (Can not exceed \$10,000 to claim this credit) .....</b>	<b>\$ _____</b>

**On the other hand, if you chose the optional computation of tax, refer to Schedule CO Individual.** In other words, the sum of line 1, Columns B and C and line 2, Columns B and C, less line 6E, Columns B and C of Schedule CO Individual, can not exceed \$10,000.

Use the following worksheet to facilitate the determination of the adjusted gross income for purposes of this credit, **if you chose the optional computation of tax.**

**WORKSHEET  
(Under the optional computation of tax)**

<b>Determination of the Adjusted Gross Income for purposes of this credit:</b>	
Line 1, Columns B and C, Schedule CO Individual .....	_____
<b>Plus:</b> Line 2, Columns B and C, Schedule CO Individual .....	_____ + _____
Total .....	\$ _____
<b>Less:</b> Line 6E, Columns B and C, Schedule CO Ind. ....	( _____ )
<b>Adjusted Gross Income (Can not exceed \$10,000 to claim this credit) .....</b>	<b>\$ _____</b>

This credit must be claimed before any other credit that you are entitled to claim.

**Line 13 - Credit for Contributions to the Educational Foundation for Free Selection of Schools**

All resident individuals are entitled to claim as a credit against income tax the contributions made to the **Educational Foundation for Free Selection of Schools.**

The maximum amount of credit allowed is \$250. Any excess may be deducted as an itemized deduction for charitable contributions, up to the limit allowed by the Code. If the contribution is in excess of the limit allowed for the credit, you must file the Long Form, as long as you qualify to claim charitable contributions.

**In order to claim this credit, you must keep for your records a certification from the Educational Foundation**

**or copy of the canceled or substitute check as evidence of the contribution made.**

**Line 14 - Credit for the acquisition or manufacture and installation of electric solar equipment**

Enter the amount of credit granted for the acquisition or manufacture and installation of electric solar equipment in the taxpayer's principal residence or business. The credit is limited to 50% of the cost of the equipment, including installation, during the period of January 1 and June 30, 2010.

The credit is subject to the terms and conditions provided by Act No. 7 of March 9, 2009 as amended, and to the taxpayer's request and the issuance by the Secretary of the Treasury of a certification under Section 1040J of the Code (Act No. 248 of August 10, 2008 and Act No. 83 of July 19, 2010). Include with the return copy of such certification.

The credit is not refundable, but, such part of the credit not used in the taxable year may be carried over during the next ten taxable years.

If the credit to be claimed has been acquired through cession, sale or transfer from the original owner, include a sworn statement providing the following:

- 1) name, address and social security number of the transferrer;
- 2) name, address and social security number of the transferee;
- 3) total amount of the credit approved by the Secretary of the Treasury and taxable year in which it was granted;
- 4) amount of credit used by the transferrer;
- 5) amount of credit ceded, sold or transferred;
- 6) date of cession, sale or transfer; and
- 7) consideration given or payment in kind received in exchange for the credit.

Also, you must include copy of the credit certification.

For additional details, refer to Internal Revenue Circular Letter No. 08-13 of October 30, 2008.

**Line 15 - Tax Liability**

Subtract the Credit for Salaried Taxpayers, the Credit for Contributions to the Educational Foundation for Free Selection of Schools or the Credit for the Acquisition or Manufacture and Installation of Electric Solar Equipment, from the tax determined, whichever applies. If the result is less than zero, enter zero.

If you did not claim any of the previously mentioned credits, enter on this line the tax determined on **line 11.**



**Line 16(C) – Compensatory Credit for Low Income Pensioners**

Every individual with low income who is a pensioner from the Employees' Retirement System Administration of the Government of Puerto Rico and the Judiciary, the Teachers' Retirement System, the University of Puerto Rico, the Electric Power Authority, as well as those duly pensioned by the private sector, shall be entitled to claim a reimbursable compensatory personal credit of \$300.

For purposes of this credit, an individual is considered to be a low income pensioner if **his/her only source of income consists of the pension for services rendered and the amount received does not exceed \$4,800 annually.**

In the case of married taxpayers filing a joint return, if each one receives pension income and none of them exceeds \$4,800 annually, they may claim a credit of \$600.

**Line 16(D) – Employment Credit**

Every individual resident of Puerto Rico or United States citizen nonresident of Puerto Rico who generates earned income of less than \$20,000 and is not claimed as a dependent by another taxpayer for the taxable year, will be entitled to claim this credit against the income tax.

If the earned income does not exceed \$10,000, the employment credit will be equal to 3% of the earned income up to a maximum of \$300. On the other hand, if the earned income is in excess of \$10,000 but does not reach \$20,000, the maximum credit of \$300 shall be reduced by an amount equal to 2% of the earned income in excess of \$10,000.

For purposes of this credit, the term **earned income** includes salaries, wages, tips, any remuneration for services rendered

by an **employee** to his/her employer or other compensation derived from the rendering of services as an **employee**. The earned income shall be determined separately for each individual, regardless of whether he/she may file a joint return, without taking into account any amount received as pension or annuities, taxable income under Section 1221 (nonresident aliens), or the amount received by an individual for services rendered while such individual is confined in a penal institution.

No credit shall be allowed if the taxpayer derives net income (whether or not considered gross income under subsection (a) of Section 1022) from interest or dividends, rents or royalties, the sale of capital assets, alimony payments for divorce or separation, or any other type of income not considered earned income, as previously defined, **in excess of \$2,200 for the taxable year.**

The credit shall be claimed against the tax determined after the deduction of other credits that the taxpayer is entitled to claim. The amount of credit in excess of the tax determined will be refunded to the taxpayer or can be credited against the estimated tax for the subsequent taxable year.

Every taxpayer who unduly claims this credit shall be liable for the payment of a sum equal to the credit unduly claimed as additional income tax, including interest, surcharges and penalties, as established in the Code, in the year in which the amount of that sum unduly claimed is determined. In the case of fraud, in addition to being liable for the payment herein provided, the taxpayer may not benefit from this credit for a period of 10 years starting from the year in which the Secretary determines the total of any amount unduly claimed.

Select one of the worksheets provided, to determine the amount of credit that you may claim. Use **Table I** if your personal status is single person, head of household, or married person not living with spouse. Use **Table II** (page 18) if your personal status is married person living with spouse and filing jointly.

**Table I**

<b>Worksheet to Determine the Employment Credit for a Single Person, Head of Household or Married Person not Living with Spouse</b>	
1. Total of lines 1B and 2B, Part 2 of the return. If the total is \$20,000 or more, do not continue and enter zero ("0") on line 16(D), Part 4 of the return .....	\$ _____
2. Enter the amount of other income not considered earned income (line 7, Part II of Schedule H Individual and any other income (exempt or not) for which a specific line is not provided in the return):\$_____. If this amount is more than \$2,200, do not continue and enter zero ("0") on line 16(D), Part 4 of the return.	
3. If line 1 is \$10,000 or less, multiply it by 3%. Otherwise, go to line 5 .....	\$ _____
4. Enter the smaller of line 3 and \$300. Transfer to line 16(D), Part 4 of the return .....	\$ _____
5. If line 1 is more than \$10,000 but less than \$20,000, enter here and on line 16(D), Part 4 of the return the product of the following calculation:  <div style="margin-left: 40px;">                     * \$300 - [(line 1 of this worksheet - \$10,000) x 2%]                      \$300 - [ (\$ _____ - \$10,000) x 2%]                      \$300 - [ \$ _____ x 2%]                      \$300 - \$ _____ = .....                 </div>	\$ _____
* For purposes of this calculation, do not consider cents.	
* If the result of this calculation is zero ("0") or negative, enter zero on line 16(D), Part 4 of the return.	



**Table II**

<b>Worksheet to Determine the Employment Credit for Married Person Living with Spouse and Filing Jointly</b>	
<b>Part I – Primary Taxpayer</b>	
1. Share of lines 1B and 2B, Part 2 of the return attributable to the <b>primary taxpayer</b> (or total of lines 1B and 2B of Schedule CO Individual, if you choose the optional computation of tax). If the total is \$20,000 or more, do not continue and enter zero ("0") on line 1, Part III of this worksheet .....	\$ _____
2. Enter the amount of other income not considered earned income attributable to the <b>primary taxpayer</b> (line 7, Part II of Schedule H Individual and any other income (exempt or not) for which a specific line is not provided in the return):\$_____. If this amount is more than \$2,200, do not continue and enter zero ("0") on line 1, Part III of this worksheet.	
3. If line 1 is \$10,000 or less, multiply it by 3%. Otherwise, go to line 5 .....	\$ _____
4. Enter the smaller of line 3 and \$300. Transfer to line 1, Part III of this worksheet .....	\$ _____
5. If line 1 is more than \$10,000 but less than \$20,000, enter here and on line 1, Part III of this worksheet the product of the following calculation:  <div style="margin-left: 40px;">                     * \$300 - [(line 1 of this Part I - \$10,000) x 2%]                      \$300 - [ (\$ _____ - \$10,000) x 2%]                      \$300 - [ \$ _____ x 2%]                      \$300 - \$ _____ =.....                 </div>	\$ _____
* For purposes of this calculation, do not consider cents. * If the result of this calculation is zero ("0") or negative, enter zero on line 1, Part III of this worksheet.	
<b>Part II - Spouse</b>	
1. Share of lines 1B and 2B, Part 2 of the return attributable to the <b>spouse</b> (or total of lines 1C and 2C of Schedule CO Individual, if you choose the optional computation of tax). If the total is \$20,000 or more, do not continue and enter zero ("0") on line 2, Part III of this worksheet .....	\$ _____
2. Enter the amount of other income not considered earned income attributable to the <b>spouse</b> (line 7, Part II of Schedule H Individual and any other income (exempt or not) for which a specific line is not provided in the return):\$_____. If this amount is more than \$2,200, do not continue and enter zero ("0") on line 2, Part III of this worksheet.	
3. If line 1 is \$10,000 or less, multiply it by 3%. Otherwise, go to line 5 .....	\$ _____
4. Enter the smaller of line 3 and \$300. Transfer to line 2, Part III of this worksheet .....	\$ _____
5. If line 1 is more than \$10,000 but less than \$20,000, enter here and on line 2, Part III of this worksheet the product of the following calculation:  <div style="margin-left: 40px;">                     * \$300 - [(line 1 of this Part II - \$10,000) x 2%]                      \$300 - [ (\$ _____ - \$10,000) x 2%]                      \$300 - [ \$ _____ x 2%]                      \$300 - \$ _____ =.....                 </div>	\$ _____
* For purposes of this calculation, do not consider cents. * If the result of this calculation is zero ("0") or negative, enter zero on line 2, Part III of this worksheet.	
<b>Part III – Total Credit to be Claimed</b>	
1. Credit attributable to the primary taxpayer .....	\$ _____
2. Credit attributable to the spouse .....	\$ _____
3. Total credit to be claimed (enter here and on line 16(D), Part 4 of the return the sum of lines 1 and 2) .....	\$ _____





**Line 16(F) – Additional Credit**

Every taxpayer who is an individual and earns adjusted gross income from salaries, remuneration for services rendered, pensions, annuities or any other income of a similar nature, can claim an additional credit against the tax owed. For taxpayers whose adjusted gross income does not exceed \$40,000, the credit will be equivalent to 15% of the tax owed. Those who have an adjusted gross income in excess of \$40,000 but not in excess of \$100,000 (\$150,000 in the case of married persons filing jointly who do not choose the optional computation of tax), the credit will be 10%.

In the case of married individuals living together, both working, filing

a joint return who choose the optional computation of tax, the available credit will be determined individually based on the adjusted gross income level of each one.

This credit must be claimed after any other credit that the taxpayer is entitled to claim.

Select one of the worksheets provided below to determine the amount of credit that you can claim. Use **Table I** if your personal status is single person, head of household, married person not living with spouse or married person living with spouse that does not choose the optional computation of tax. Use **Table II** if your personal status is married person living with spouse, filing jointly who chooses the optional computation of tax.

**Table I**

<b>Worksheet to Determine the Additional Credit for a Single Person, Head of Household, Married Person not Living with Spouse or Married Person Living with Spouse that does not Choose the Optional Computation of Tax</b>	
1. Adjusted Gross Income (Enter the amount indicated on line 4, Part 2 of the return) .....	\$ _____
2. Tax Owed (Enter the amount indicated on line 15, Part 4 of the return) .....	\$ _____
3. If line 1 does not exceed \$40,000, enter 15%. If line 1 exceeds \$40,000, enter 10% .....	_____ %
4. Additional Credit (Multiply line 2 by line 3. Transfer to line 16F, Part 4 of the return) .....	\$ _____

**Table II**

<b>Worksheet to Determine the Additional Credit for Married Person Living with Spouse, Filing Jointly that Chooses the Optional Computation of Tax</b>	
<b>Part I – Primary Taxpayer</b>	
1. Adjusted Gross Income (Enter the amount indicated on line 4B of Schedule CO Individual) .....	\$ _____
2. Tax Determined (Enter the amount indicated on line 11B of Schedule CO Individual) .....	\$ _____
3. Credits:	
(a) If line 12, Part 4 of the return is more than zero, enter the amount indicated on line 11B of Schedule CO Individual .....	\$ _____
(b) Enter 50% of the amount indicated on line 13, Part 4 of the return .....	\$ _____
(c) Enter 50% of the amount indicated on line 14, Part 4 of the return .....	\$ _____
4. Add lines 3(a) through 3(c) .....	\$ _____
5. Tax Owed (Subtract line 4 from line 2, but not less than zero) .....	\$ _____
6. If line 1 does not exceed \$40,000, enter 15%. If line 1 exceeds \$40,000, enter 10% .....	_____ %
7. Additional Credit (Multiply line 5 by line 6. Transfer to line 1, Part III of this worksheet) .....	\$ _____
<b>Part II - Spouse</b>	
1. Adjusted Gross Income (Enter the amount indicated on line 4C of Schedule CO Individual) .....	\$ _____
2. Tax Determined (Enter the amount indicated on line 11C of Schedule CO Individual) .....	\$ _____
3. Credits:	
(a) If line 12, Part 4 of the return is more than zero, enter the amount indicated on line 11C of Schedule CO Individual .....	\$ _____
(b) Enter 50% of the amount indicated on line 13, Part 4 of the return .....	\$ _____
(c) Enter 50% of the amount indicated on line 14, Part 4 of the return .....	\$ _____
4. Add lines 3(a) through 3(c) .....	\$ _____
5. Tax Owed (Subtract line 4 from line 2, but not less than zero) .....	\$ _____
6. If line 1 does not exceed \$40,000, enter 15%. If line 1 exceeds \$40,000, enter 10% .....	_____ %
7. Additional Credit (Multiply line 5 by line 6. Transfer to line 2, Part III of this worksheet) .....	\$ _____
<b>Part III – Total Credit to be Claimed</b>	
1. Credit attributable to the primary taxpayer .....	\$ _____
2. Credit attributable to the spouse .....	\$ _____
3. Total credit to be claimed (Enter here and on line 16F, Part 4 of the return the sum of lines 1 and 2) .....	\$ _____



### Line 17 - Amount of tax due

Compare the amounts on lines 15 and 16(G). If line 15 is larger than line 16(G), there is a balance of tax due. Enter the difference on this line. If the amount on line 16(G) is larger than the amount on line 15, you have a tax overpayment. Enter this difference plus the amount paid, if any, with the automatic extension of time to file the tax return (line 18) on line 22.

### Line 18 - Amount paid with automatic extension of time

If for any reason you understand that you will not be able to file your return on time, you may request an automatic extension of time on or before the due date to file the return. The request will be done by filing **Form SC 2644** (in case of military personnel active in combat zone, refer to RELEVANT FACTS).

**You must pay with your extension of time at least 50% of the balance of tax due, if you qualify to pay in two installments.**

### Line 20 - Amount paid

You may pay your tax sending the payment with the return, through electronic debit if you use a program or application certified by the Department or through other electronic transfers. If a payment is sent with the return or an electronic debit is authorized through a certified program or application, you must enter the amount on line 20(a). If you made a payment through other electronic transfers, you must enter the amount on line 20(b). In this case, you must also indicate the transaction number provided by your banking institution. For additional information about payment of tax through electronic transfers, refer to RELEVANT FACTS.

You may elect to pay the balance of tax due (line 19) in two equal installments. The first installment must be paid not later than the date established by the Code to file the return (April 15, when the return is filed on a calendar year basis) and the second installment must be paid on or before the 15th day of the 6th month following that date (October 15, when the return is filed on a calendar year basis). **You will lose the option to pay the tax in two installments if you do not include with your return at least half of the tax balance due.**

If you made a payment with your request for automatic extension of time and it was less than 50% of the balance of tax due (line 17), you must pay with your return the balance of tax due less the amount paid with the extension (line 18). Interest and surcharges will be assessed from the original due date of the return to the date of payment.

If you made a payment with your request for automatic extension of time on or before the date in which you should have filed the return, and the payment was 50% or more of the balance of tax due (line 17), you may pay the remaining balance on or before October 15, if you file your return on a calendar year basis. In that case, no payment is required with the return.

If you decide to pay the balance of tax due in two installments, enter the amount you are paying with your return on line 20(a) or 20(b), whichever applies.

The tax payment that accompanies the return must be made by check or money order payable to the Secretary of the Treasury. **In the same, indicate your social security number and Form 481.0 - 2010.**

If you decide to pay in cash, you can do it at any of our Internal Revenue Collections Offices. Make sure to keep and photocopy the receipt given by the Collector.

## INTEREST, SURCHARGES AND PENALTIES

### Interest

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

### Surcharges

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

### Penalties

The 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 under the Code 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 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 Code or regulations) with the intention to avoid or defeat any tax imposed by the Code, in addition to other penalties, shall be guilty of a third degree felony.**

### Line 21 - Balance of Tax Due

This is the amount of tax that you owe and that you must pay on or before October 15 or, if you are filing on a fiscal year basis, on or before the 15th day of the 6th month after the due date of the return.

### Line 22 - Amount Overpaid

If line 16(G) is larger than line 15, enter on this line the difference plus the amount paid, if any, with the automatic extension of time (line 18). Otherwise, if line 18 is larger than line 17, enter the difference on this line.

**Before issuing a refund, any overpayment will be applied against any exigible tax liability imposed by the Code.**

If you are married and one of the spouses owes taxes, the overpayment will be credited against any exigible tax liability.

If there are no previous year debts, you may elect to contribute all or part of the tax paid in excess to the San Juan Bay Estuary Special Fund (Special Fund). In this case, enter the amount that you want to contribute to the Special Fund on line 22A. Enter any balance to be refunded on line 22B.

#### **PART 5 - AUTHORIZATION FOR DIRECT DEPOSIT OF REFUND**

You can receive your refund faster and safely. The Department of the Treasury can deposit your refund directly into your checking or savings account. To authorize the Department of the Treasury to deposit your refund directly into your account, you must complete this part.

**Type of Account** - Indicate if the deposit will be made into your checking or savings account, filling in completely the oval corresponding to the type of account.

**Routing/Transit Number** - Enter the routing/transit number of your account. This information appears on the check. In case of a savings account, you must call the financial institution to obtain the routing/transit number. **Do not leave blank spaces. Do not use hyphens or other symbols.**

**Account Number** - Enter the checking or savings account number. **Do not use hyphens or other symbols.** Do not fill out blank spaces with zeros. The account number may have less numbers than the spaces provided for this purpose in this box.

**Account in the Name of** - Enter your name, as it appears on your account. In the case of married taxpayers filing jointly, **the account must be in the name of both spouses.**

For additional information, refer to the RELEVANT FACTS - DIRECT DEPOSIT OF REFUND.

#### **SIGNATURE OF THE RETURN**

The return will not be considered filed unless it is signed with ink and all necessary documents and information are submitted. In the case of married individuals filing jointly, both spouses must sign the return.

#### **PAYMENTS FOR THE PREPARATION OF THE RETURN**

Indicate if payments were made for the preparation of the tax return and make sure that the specialist signs the return and includes his/her specialist registration and employer identification number. **THE 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.**

The specialist must declare under penalty of perjury that he/she examined the return, and to the best of his/her knowledge and belief the return is correct and complete.

If the return is prepared by a Certified Public Accountant (CPA) or by a CPA firm duly registered as a specialist, it must include the employer identification number, registration number and be signed by the authorized person.

## INSTRUCTIONS TO COMPLETE THE SCHEDULES

### SCHEDULE A1 INDIVIDUAL - DEPENDENTS AND BENEFICIARIES OF EDUCATIONAL CONTRIBUTION ACCOUNTS

In order to process the information submitted of your dependents, allow the exemption for dependents and claim the deduction for contributions to an Educational Contribution Account, you must complete this Schedule and include it with your return.

#### PART I - DEPENDENTS INFORMATION

The term **head of household** means an individual who actually supports and maintains in one household one or more dependents closely related to him/her by blood, marriage or adoption, over whom he/she exercises family control and whose duty to provide for such dependents is based upon moral or legal obligation. The relationship established by marriage shall not be considered terminated because of divorce or death of the spouse.

If you claim the filing status of head of household in Part 1 of the return, indicate in the space **Head of Household** of Part I of this Schedule, the name, relationship, date of birth, and social security number of the dependent who entitles you to claim such status. **Remember that you can not claim an exemption for dependent regarding this person.**

The term **dependent** means:

- 1) a person who at the close of the calendar year in which the taxpayer's taxable year begins **has not reached the age of 21**;
- 2) the taxpayer's father or mother;
- 3) a person who is **age 65 or older**;
- 4) a person who has reached the age of 21 or older and is blind or incapable of self-support because of being mentally or physically disabled; or
- 5) an university student who at the close of the calendar year in which the taxpayer's taxable year begins **has not reached the age of 26**, as long as he/she has completed as a regular student, at least one semester in an **university or technical - professional institution recognized as such by the educational authorities of Puerto Rico, or of the applicable country, until he/she receives his/her degree.**

Notwithstanding the above, to be entitled to claim a dependent, you must comply with the following requirements:

- 1) the person claiming the dependent must provide more

than half of the support for the dependent during the calendar year in which the taxpayer's taxable year began;

- 2) the dependent's gross income for the calendar year in which the taxpayer's taxable year began is less than the amount allowed as a credit for this concept. Nevertheless, if the dependent is your child and also a regular student, he/she may earn a gross income up to **\$3,400**, and still you have the right to claim him/her as a dependent.

In the case of children from divorced or separated parents, the exemption for dependent will be claimed by the parent who has the legal custody of the child. However, the parent who has the legal custody may release his/her right to claim the exemption in favor of the parent who does not have that custody. The release should be made using **Schedule CH Individual - Release of Claim to Exemption for Child (Children) of Divorced or Separated Parents**. The parent to whom the right to claim the exemption was released must submit Schedule CH Individual with the return (See Instructions of Schedule CH Individual).

**An individual required to file a joint return with his or her spouse does not qualify as a dependent.**

**The dependent who qualifies you for the head of household filing status cannot be included in the computation of the total exemption for dependents.**

**Nonresident aliens of Puerto Rico do not qualify as dependents.**

If the dependent is totally or partially blind, keep for your records a certificate from an ophthalmologist or optometrist indicating the visual condition of the dependent.

If you claimed the exemption for dependents who are university students, or who are disabled, blind or age 65 or older, you must keep for your records the evidence that entitles you to claim the exemption for those dependents.

In the space provided, **write the complete name, relationship, date of birth, and social security number** of all dependents for whom you claim an exemption on your return. **Also, classify the dependents in one of the following categories:**

Category	Class
(N)	Non university
(U)	University students
(I)	Disabled, blind or age 65 or older

If you do not comply with these requirements, the exemption may be disallowed. Remember that you must include the **social security number** of all dependents who are age one (1) or older at the end of the taxable year.

## PART II - BENEFICIARIES OF EDUCATIONAL CONTRIBUTION ACCOUNTS

In the space provided, **write the complete name, relationship, date of birth, and social security number** of the beneficiaries for whom you made contributions to an Educational Contribution Account. Indicate also the name and employer identification number of the financial institution, and the account number where the contributions are made. **You must also include the amount of said contributions.**

**For additional information regarding who qualifies for this deduction and its limitations, refer to the instructions of Part 3, line 6H of the return.**

### SCHEDULE B2 INDIVIDUAL – AMERICAN OPPORTUNITY TAX CREDIT

Complete this Schedule if during the taxable year you paid qualified educational expenses for an eligible student. An **eligible student** is a student who:

- 1) at the beginning of the taxable year has not completed the first 4 years of postsecondary education,
- 2) for at least one academic period that begins during the taxable year:
  - was enrolled in a program leading to a degree, certificate or other recognized educational credential in an eligible educational institution, and
  - was completing at least half of the requirements for the degree or certificate to which he/she aspires on a full time basis, and
- 3) at the end of such taxable year has not been convicted for any felony related to the possession or distribution of a controlled substance.

The eligible student may be the taxpayer, spouse or anyone who may be claimed as a dependent by the taxpayer.

**Qualified educational expenses** refers to tuition, fees and materials for courses paid during the taxable year and required to the eligible student as a condition of enrollment or attendance by an eligible educational institution. Eligible educational expenses will be reduced by any educational assistance and exempt reimbursements received by the individual, including scholarships, subsidies or grants.

As a general rule, the term **eligible educational institution** means any college, university, vocational school or other certified postsecondary educational institution, public or private, eligible to participate in student aid programs administered by the Department of Education of Puerto Rico or the United States.

The credit is allowed for the first \$2,000 of qualified educational expenses paid during the taxable year plus 25% of the next \$2,000 paid of such expenses limited to 40%. **The maximum amount of the credit per eligible student cannot exceed \$1,000.** This credit is refundable.

If you are single, head of household, married not living with spouse or married filing separate returns and your adjusted gross income exceeds \$80,000 (\$160,000 if married filing jointly), the credit will be subject to an additional limitation. Therefore, you must use the Long Form and the corresponding Schedule B2 Individual.

To claim this credit, it is required that you submit with your return evidence of the expenses paid for tuition, fees and materials for the courses, such as books, supplies or equipment. If you file the return electronically, you must submit the evidence of the expenses by mail together with a copy of Schedule B2 Individual to the following address: DEPARTMENT OF THE TREASURY, PO BOX 9022501, SAN JUAN PR 00902-2501.

## DETERMINATION OF CREDIT

Complete the name and social security number of the eligible students. In Column (C) enter, for each eligible student, the total qualified educational expenses **without exceeding \$4,000** per each one. Remember to include only expenses that were not covered by educational scholarships, subsidies or grants. In Column (E) enter the difference between Columns (C) and (D) but not less than zero ("0"). Complete the subsequent columns as indicated in the Schedule.

For additional information, see the American Opportunity Tax Benefit Distribution Plan for the Commonwealth of Puerto Rico and Section 1004 of the American Recovery and Reinvestment Act of 2009.

### SCHEDULE CH INDIVIDUAL - RELEASE OF CLAIM TO EXEMPTION FOR CHILD (CHILDREN) OF DIVORCED OR SEPARATED PARENTS

In the case of minor children from divorced or separated parents, the exemption for dependents will be claimed by the parent with the right to custody. However, a minor child will be considered to have received more than half of his/her support during a calendar year from the parent who does not have the right to custody if:

- 1) the parent with the right to custody signs a Schedule CH Individual establishing that he/she will not claim said child as a dependent for any taxable year commencing within said calendar year, and
- 2) the parent who does not have the right to custody submits said Schedule with the return for the taxable year commencing within said calendar year.

You may agree to release your claim to the child's exemption for the current taxable year or for future years, or both. In order to do that:

- Complete **Part I** only if you agree to release your claim to the child's exemption for the current taxable year.
- Complete **Part II** only if you agree to release your claim to the child's exemption for any or all future taxable years. If you do, write the specific future taxable years or "all future taxable years" in the space provided.



**If the custodial parent completed Part II, you must submit a copy of this Schedule with your return for each future taxable year in which you claim the exemption.**

## **SCHEDULE CO INDIVIDUAL - OPTIONAL COMPUTATION OF TAX**

You must complete this Schedule and include it with your return if you choose the optional computation of tax in the case of married individuals living together, filing a joint return and both working. This computation allows each spouse to determine the tax individually.

If you choose this computation, **do not complete Parts 2 and 3 of the return.** In the following instructions a detail is provided as to how the income, the standard deduction and personal exemption, the exemption for dependents and the additional deductions will be attributed to each spouse.

### **Line 1 - Wages, Commissions, Allowances and Tips**

This type of income will be attributed as it was earned by each spouse individually. Enter in Column B the salaries attributed to the taxpayer and in Column C the salaries attributed to the spouse. Enter in Column A, the income tax withheld by each one of your employers, for both the taxpayer and the spouse. If there is no tax withheld, enter zero. Enter in the space provided on line 1, the number of withholding statements included with your return.

Add the amounts of Columns A, B and C and enter the total amount of income tax withheld, wages, commissions, allowances and tips at the bottom of each column.

For additional information, see instructions of Part 2, line 1 of the return.

**Make sure to include with your return all Withholding Statements (Form 499R-2/W-2PR).**

### **Line 2 - Federal Government Wages**

This type of income will be attributed as it was earned by each spouse individually. Enter in Columns B and C, as it corresponds to the taxpayer and his spouse, the total Federal Government income from salaries and wages received, excluding the Cost of Living Allowance (COLA). To determine if you qualify for this exclusion, refer to RELEVANT FACTS - FEDERAL EMPLOYEES.

Also, you can refer to the *Informative Booklet to Provide Orientation on the Income Tax Responsibilities of Federal, Military and Other Employees.*

**Include the corresponding copy of the W-2 Form with your return.**

### **Line 3 - Income from Annuities and Pensions**

Enter in Columns B and C, as it corresponds to the taxpayer and his spouse, the income from pensions determined on each Schedule H Individual, Part II, line 12. For additional information, see the instructions of Schedule H Individual.

**You must submit Schedule H Individual with your return.**

### **Line 5 - Standard Deduction and Personal Exemption**

The amount of \$3,075 preprinted in Columns B and C corresponds to the standard deduction and personal exemption to which each spouse is entitled to claim under the optional computation of tax.

### **Line 6 – Additional Deductions**

In addition to the standard deduction, you are entitled to claim the deductions detailed in this section. In the case of taxpayers who choose the optional computation of tax, the additional deductions shall be allowed to the spouse to whom they correspond individually, to the extent and subject to the provisions of Section 1023(bb) of the Code. Notwithstanding, in the case of the deductions for contributions to health savings accounts with family coverage, contributions to educational contribution accounts, acquisition and installation of a personal computer used by dependents, automobile loan interest (one car only), and contributions to the Endowment Fund of the University of Puerto Rico, they may be claimed at their option by one of the spouses, or on a 50% basis to each one.

**Remember not to submit evidence of the same with the return. However, you must keep the evidences of these deductions for your records for at least 6 years,** in case that they may be required eventually by the Department.

### **Line 6A - Contributions to individual retirement accounts**

Enter in Columns B and C, as it corresponds to the taxpayer and his spouse, the total contributions made to a qualified Individual Retirement Account (IRA). **The maximum deduction for each spouse is \$5,000** or the adjusted gross income from salaries or the earnings attributable to professions or business, whichever is smaller.

**In the spaces provided on this line enter the name and employer identification number of the financial institution, the account number and the detail of the contributions made.**

For additional information, see instructions of Part 3, line 6A of the return.

### **Line 6B – Contributions to health savings accounts with a high annual deductible medical plan**

In the case of eligible individuals, enter the total contributions made to a Health Savings Account with a High Annual Deductible



Medical Plan (Health Savings Account). If you have an **individual** coverage under the Health Savings Account, enter the amount in Columns B and C as it corresponds to the taxpayer and his spouse. Otherwise, if you have a **family** coverage, enter the amount in Columns B and C, as it corresponds or on a 50% basis to each spouse.

If you were eligible during the whole year and have an individual coverage, the contribution cannot exceed the smaller amount between the annual deductible under such coverage and \$2,850. If you have a family coverage, the contribution cannot exceed the smaller amount between the annual deductible under such coverage and \$5,650. Those individuals who reach the age of 55 before the close of the taxable year, can make an additional contribution of up to \$600 for the 2010 taxable year.

If you were not eligible during the whole year, divide the previously established limits between 12 and multiply this amount by the number of months for which you were eligible.

**In the spaces indicated on this line enter the name and employer identification number of the institution, the account number, the total contributions made, the annual deductible, the effective date and the type of coverage.**

**You must keep for your records the certification issued by the institution in which you established the account.**

For additional information, see instructions of Part 3, line 6B of the return.

#### **Line 6C - Contributions to governmental pension or retirement systems**

Enter in Columns B and C, as it corresponds to the taxpayer and his spouse, all cash contributions made during the year to a pension or retirement system, other than Social Security, established by the Congress of the United States, the Legislative Assembly of Puerto Rico, the municipalities, agencies, instrumentalities and public corporations of Puerto Rico.

This contribution must be informed in Part 14 of the Withholding Statement (Form 499R-2/W-2PR) or on Form W-2, if you are a federal employee.

#### **Line 6D - Deduction for Veterans**

Enter in Columns B and C, as it corresponds to the taxpayer or his spouse, the amount of **\$1,500**, if you are a resident of Puerto Rico and a veteran of the United States Armed Forces.

If both spouses are veterans, each one can claim \$1,500.

**Keep for your records copy of Form DD-214 (Discharge from U.S. Armed Forces).**

#### **Line 6E - Ordinary and necessary expenses**

Enter in Columns B and C, as it corresponds to the taxpayer and his spouse, the amount determined on Schedule I

Individual, Part I, line 8. This deduction is limited to the smaller of the amount paid up to a maximum of \$750 or 4% of the salary.

If the taxpayer and his spouse claim this deduction, each one must complete a separate Schedule I Individual. In such case, both spouses must fill in completely the oval corresponding to the taxpayer or spouse located at the top of said Schedule.

#### **Line 6F - Automobile loan interest**

Enter in Columns B and C, as it corresponds or on a 50% basis to each spouse, the interest paid or accrued on a loan for the acquisition of an automobile which is guaranteed by it. Also include, in the space provided, the name of the financial institution, the loan number and the employer identification number of the institution granting the loan. **The deduction will not exceed \$1,200 between both spouses and it shall be allowed for only one vehicle.**

**You must keep for your records a certification from the bank or financial institution as evidence of the deduction claimed.**

#### **Line 6G - Young people who work**

Enter in Columns B and C, as it corresponds to the taxpayer and his spouse, the amount of **\$1,000** if you are a young person who work and your age ranges between 16 and 25 at any moment of the taxable year.

If both spouses qualify, they can claim \$1,000 each.

#### **Line 6H - Educational Contribution Account**

Enter in Columns B and C the total reflected on Schedule A1 Individual, Part II, line (10), as it corresponds or on a 50% basis to each spouse, the cash contributions to an educational contribution account for the exclusive benefit of a child or relative up to the third degree of blood relationship or second degree by affinity. The maximum contribution amount **can not exceed \$500 for each beneficiary.**

The account must be established only by the individual who has the custody and the parental rights and obligations conferred by law of the beneficiary for whom the account was established. This deduction will not be allowed for a taxable year in which the beneficiary has reached the age of 26 before the closing of such taxable year.

**You must keep for your records the certification issued by the institution which receives the contributions.**

For additional information, see instructions of Part 3, line 6H of the return.



**Line 6 I - Acquisition and installation of a personal computer used by dependents**

Enter in Columns B and C, as it corresponds or on a 50% basis to each spouse, the amount up to a maximum of \$500 for the expenses incurred in the acquisition and installation of a personal computer in your residence to be used by your dependents.

For purposes of this deduction, a dependent is a person who at the end of the taxable year has not reached the age of 21 and who receives more than half of the support from the taxpayer.

**You must keep for your records evidence of the payment for the acquisition and installation of this equipment. This deduction can only be claimed once by the taxpayer.**

**Line 6 J – Contributions to the Endowment Fund of the University of Puerto Rico**

Enter in Columns B and C, as it corresponds or on a 50% basis to each spouse, the amount contributed during the year to the Endowment Fund of the University of Puerto Rico. You must keep for your records copy of canceled checks or its equivalent, in case of electronic contributions, that evidence the same.

**Line 7 - Telephone service payment for communication with military personnel in combat zone**

Enter in Columns B and C, as it corresponds or on a 50% basis to each spouse the total telephone service payment up to a maximum of \$200, for the expense incurred in the telephone communication with your spouse, brother (sister), son (daughter), grandchild, parent or grandparent who is in active service as military personnel in a combat zone.

For additional information, see instructions of Part 3, line 7 of the return.

**Line 8 - Exemption for Dependents**

Enter in the spaces provided on lines 8A through 8C, the number of dependents claimed according to their category:

Line	Category	Class
8A	(N)	Non university
8B	(U)	University students
8C	(I)	Disabled, blind or age 65 or older

Multiply the amount of dependents claimed on each line by \$2,500 and enter the result in the space provided. Add lines 8A, 8B and 8C and enter the total on line 8D. Enter on each one of Columns B and C of line 8E, 50% of line 8D.

For additional information, see instructions of **Schedule A1 Individual**.

**Line 11 - Tax Determined Individually**

Use the Tax Computation Table provided on page 15 of the instructions. Determine your tax individually considering your Net Taxable Income, as determined on line 10, Columns B and C, respectively. Enter the tax determined for each column on this line.

**Line 12 – Total Tax Determined**

Enter the sum of Columns B and C of line 11. Transfer this amount to Part 4, line 11 of the return.

**SCHEDULE H INDIVIDUAL - INCOME FROM ANNUITIES OR PENSIONS**

This Schedule must be completed if you received income from annuities or pensions exceeding **\$11,000** for individuals younger than age 60, or **\$15,000** for individuals age 60 or older. Schedule H Individual provides space to report the income from only one annuity or pension. Therefore, in the case of individuals receiving more than one annuity or pension, a separate schedule should be completed for each annuity or pension. If the taxpayer receives more than one annuity or pension, the exclusion will apply for each annuity or pension separately.

If you receive income from the Social Security Administration, do not complete this Schedule because the same is not taxable in Puerto Rico. Otherwise, if you bought an annuity through a financial or insurance institution, do not complete this Schedule. **Any income received from such annuity must be informed on Schedule F Individual of the Long Form, after considering the annuity's cost to be recovered.**

**PART I - DETERMINATION OF COST TO BE RECOVERED**

Complete this part only if you have not recovered the cost of the pension. If you already have recovered the cost of your pension, do not fill out this Part and continue with Part II of the Schedule.

**Line 1 -** Enter the cost of the annuity or pension. As general rule, the cost of the annuity is the amount that the taxpayer paid in order to be entitled to receive the annuity or pension. Said cost can be found on Form 499R-2/W-2PR, Part 6. Also, include those amounts over which you prepaid the 5% special tax under Sections 1165(b)(9) or 1012D of the Code.

**Line 2 -** Breakdown per taxable year the amount of pension received in previous years and totalize the amounts in the boxes area.

**Line 3(a) -** Breakdown per taxable year the amount of taxable pension received in previous years and totalize the amounts in the boxes area.

**Line 3(b) -** Breakdown per taxable year the amount of tax exempt pension received in previous years and totalize the amounts in the boxes area.

**PART II - TAXABLE INCOME**

**Line 7 -** Enter the total amount received from annuities or pensions during the year. This information appears on Form 499R-2/W-2PR, Part 11.



**Line 8** - Enter \$11,000 if you are younger than age 60, or enter \$15,000 if you are age 60 or older.

If the total amount received during the year exceeds \$11,000 or \$15,000, as applicable, only the excess over such amount will be subject to tax. While you are recovering the cost of the annuity or pension, you will be taxed up to 3% of such cost.

**If you claim the exempt amount of \$15,000, you must keep for your records a copy of your birth or baptism certificate as evidence to support your right to claim the exemption.**

**Line 12** - Enter the amount of line 11 or 3% of the annuity's cost, whichever is larger, until you have recovered the total cost of your annuity, pension or policy. This amount can not be larger than the amount on line 9.

If the payments received covered less than 12 months, multiply 1/12th from the 3% of the pension cost (line 1) by the number of months for which the pension was received. Enter on line 12 of this Schedule and in Part 2, line 3 of the return, the amount determined from the above computation, or the amount indicated on line 11 of this Schedule, whichever is larger, but not larger than the amount of line 9. If you choose the optional computation of tax, transfer this amount to Schedule CO Individual, line 3B or 3C, as it corresponds to the taxpayer or his spouse.

**Line 13** - Enter the income tax withheld, if any, and transfer this amount to Part 4, line 16B of your return.

**Submit with your return the Withholding Statement (Form 499R-2/W-2PR) or Informative Return 480.7C and this Schedule.**

### SCHEDULE I INDIVIDUAL - ORDINARY AND NECESSARY EXPENSES

The Code provides a deduction for certain ordinary and necessary expenses incurred to derive income as an employee. This deduction is limited to the amount paid up to \$1,500, (\$750 if you choose the optional computation of tax), or 4% of the salary, whichever is smaller. The deduction claimed for ordinary and necessary expenses will be subject to a rigorous investigation. Therefore, in order to claim these expenses, you must be entitled to them and keep the necessary evidence.

In the case of taxpayers **who choose the optional computation of tax, they must complete one Schedule I Individual for each spouse and include both Schedules with the return.** Fill in completely the oval corresponding to the taxpayer or spouse located at the top of said Schedule.

#### PART I - DETAIL OF EXPENSES

**Line 1(A)** - Enter 100% of expenses for meals and entertainment, which are neither luxurious nor extravagant, paid by you, as a result of your services as an employee.

**Line 1(B)** - Enter the amount reimbursed by your employer for meals and entertainment only.

**Line 1(C)** - This excess constitutes income and you must file the Long Form and include it on Schedule F Individual, Part VI.

**Line 1(E)** - This is the amount of meals and entertainment you will use to determine the deduction for ordinary and necessary expenses.

**Line 2(A)** - Enter the cost for the purchase and maintenance of uniforms (Do not include civilian clothes. The uniform must identify the business or organization you work for).

Enter on lines 2(B) through 2(D) the expenses incurred for dues paid to unions, college memberships, labor or professional associations, purchase of educational materials by teachers, and the purchase of technical books related to professional or technical work.

**Line 2(E)** - Enter the educational expenses paid during the taxable year to maintain or improve the skills required in your profession or occupation, to comply with the express requirements of an employer, or to comply with the legal or regulatory provisions to maintain your salary or job as an employee. If the taxpayer is a teacher or professor, the educational expenses are allowed whether or not the employer has required you to maintain or improve your skills, but only if the studies completed are usually taken by the members of your profession and result in the benefit of the school population.

**Line 2(F)** - Enter the depreciation of any property used that is related to your employment. Complete the detail on the reverse side (Part II) of the Schedule to determine the deduction.

Assets used in your profession or occupation must be depreciated under the straight-line method.

An automobile may be depreciated over a 3 year period if it is used only in sales activities or over a 5 year period if it is used for other purposes. The maximum basis to determine the amount to be deducted for automobile depreciation will be \$25,000. These rules apply to automobiles leased with a purchase option. In case of ordinary leases, the total amount of rent paid will be considered as basically equivalent to current depreciation, and a deduction is allowed for that part of the rent paid related to your employment.

If the automobile is used by the taxpayer in his/her industry or business or for the production of income as an employee and for personal purposes, the deduction for depreciation will be reduced by the amount applicable to personal use.

**Line 2(G)** - Enter other ordinary and necessary expenses related to your profession or occupation. **Expenses incurred for traveling from your residence to your place of work or vice versa are not deductible.**

When an employee is transferred from one location to another by request of the employer and receives a payment for such transfer, or that of his/her family or personal belongings, the amount so paid will be deductible from the employee's gross income. If the payment represents an allowance, the expenses paid or incurred by the employee for his/her transfer can be claimed as ordinary and necessary expenses up to the limit of \$1,500 (\$750 if you choose the optional computation of tax) or

4% of the salaries, whichever is smaller. Otherwise, if the payment represents a reimbursement, the expense actually paid or incurred can be deducted up to the amount reimbursed by the employer. Any excess paid with respect to the expenses actually incurred will be included in the employee's gross income for the taxable year in which said excess was received.

If the transfer is made for the exclusive benefit of the employee, any concession received will be included in the gross income and such expenses are not deductible.

The expenses reimbursed must be informed by the employer on the Withholding Statement (Form 499R-2/W-2PR, Part 12).

**Line 3** - Enter the sum of lines 1(E) and 2(K). This is the total amount to be used to determine the ordinary and necessary expenses to be deducted.

**Submit this Schedule with your return.**



## Occupational Codes

2010

OCCUPATION	CODE	OCCUPATION	CODE
Accounts Adjuster	5243	Language Pathologist	6240
Accountant or Auditor	5412	Lawyer	5411
Advertising Agent	5417	Legislator and Mayor	9300
Architect	5415	Locksmith	5616
Artist, Actor, Dancer, Singer	7115	Mason	2381
Automotive Body and Related Repairer	4800	Mechanic and Automotive Technician	3321
Aviculturist	1123	Medical Assistant	6209
Butcher	4452	Medical Propagandist	6211
Cabinetmaker	3323	Medical Technologist	6216
Carpenter	3322	Military Man (Soldier)	8101
Carrier Worker	8102	Nurse	6212
Cashier	4213	Pharmaceutical Equipment Operator	6215
Computer Programmer	5110	Pharmacist or Pharmacy Assistant	6213
Construction Painter	2383	Pilot	8102
Construction Worker	2382	Planner	5421
Contractor	2360	Plumber	2384
Cook (Food Preparation Worker)	4212	Police Officer – State and Municipal	9315
Correction Officer and Jailer	9315	Postman and Messenger	3333
Customer Service Representative	4302	Private Guard	4300
Data Entry Operator	5108	Professional Athlete	7112
Drafter	5416	Professional Therapist	6217
Driver (Other)	4856	Professor – University	6112
Economist	5420	Psychologist	5422
Electric Equipment Operator	5111	Radio and Television Announcer	5131
Electrician	3324	Radiologist	6214
Embalmer and Gravedigger	8123	Real Estate Agent and Broker	5312
Engineer	5414	Refrigeration Technician	8106
Farmer	1110	Retail Sales Representative	4610
Financial Institution Clerk	5223	Retired – Pensioner	8130
Financial Manager and Supervisor	5222	Sales Manager and Supervisor	4214
Fireman	9314	Salesperson – Retail	4611
Flight Attendant	6115	Salesperson – Wholesale	4311
Forensic Pathologist	8124	School Administrator	6111
Garbage Man	8112	Scientist	5419
Gardener	8103	Secretary	8104
General Manager and Supervisor	4216	Securities Agent and Broker	5231
General Office Clerk	8111	Social Worker	6245
Generalist Physician	6208	Solderer	3119
Hairstylist, Barber and Cosmetologist	8121	Specialist Physician	6210
Heavy Equipment Operator	4857	Tapestry Maker	3120
Household and Domestic Services	8105	Teacher	6110
Industrial Equipment Operator	3101	Telephonic Equipment Operator	5112
Industrial Mechanic	3110	Teller	5221
Industry Manager and Supervisor	3100	Travel Agent	5615
Information Systems Manager	5109	Truck Driver	4855
Insurance Agent and Broker	5242	Veterinarian	5418
Janitor	5617	Waiter	4215
Judge	9301	Wholesale Representative	4310
Land Surveyor	5413	Other Work or Profession	8110





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IMPORTANT:

TAKE OFF AND USE THIS LABEL ON YOUR RETURN IF THE DATA IS CORRECT.  
IF THERE IS ANY INCORRECT INFORMATION ON THE LABEL, DISCARD IT AND  
WRITE YOUR PERSONAL INFORMATION CORRECTLY ON YOUR TAX RETURN.

**IMPORTANT NOTICE:**

DO NOT FORGET TO WRITE YOUR SOCIAL SECURITY NUMBER IN THE  
CORRESPONDING BOX ON THE RETURN AND SCHEDULES. THIS NUMBER  
IS NECESSARY TO PROCESS YOUR RETURN.