



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

# INDIVIDUAL INCOME TAX RETURN 2011

## *MESSAGE FROM THE SECRETARY OF THE TREASURY*

Dear taxpayer:

I am pleased to provide you the tax return under the 2011 Puerto Rico Internal Revenue Code. The due date for filing it is April 17, 2012.

This booklet will advise you of the most significant principles introduced by the Code with respect to your tax responsibility.

If you have additional questions related to the preparation of the tax return, you can contact our tax assistance personnel at (787) 722-0216, or by email to [infoserv@hacienda.pr.gov](mailto:infoserv@hacienda.pr.gov). Also, you can visit our Taxpayer Service Centers located in our principal office in San Juan, regional offices and in the taxpayer's orientation centers located across Puerto Rico.

As in past years, you will be able to electronically file your tax return through our website [www.planillas.pr.gov](http://www.planillas.pr.gov). In our website you will find the Puerto Rico Internal Revenue Code, as well as the most recent regulations issued under it. In addition, you will find other publications, such as circular letters and informative bulletins.

I encourage you to comply promptly and thoroughly with your tax responsibility. You will be contributing to the welfare of your family as well as that of all of Puerto Rico.

Cordially,

Jesús F. Méndez Rodríguez

Approved by the Electoral State Commission- CEE-SA-12-001

# 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 17, 2012.

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## FILING REQUIREMENTS

### WHO MUST FILE THE INCOME TAX RETURN?

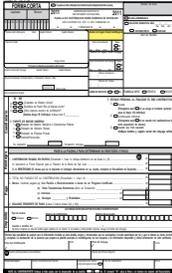


- a) Every individual resident of Puerto Rico who is an individual or married taxpayer, whose gross income for the taxable year, net of exemptions, exceeds \$5,000;
- b) Every individual not resident of Puerto Rico, citizen of the United States, who is an individual or married taxpayer, whose gross income from Puerto Rico sources for the taxable year, net of exemptions, exceeds \$5,000, unless the taxes have been totally paid at source;
- c) Every individual who is married living with spouse, and opts to file a separate tax return, whose gross income for the taxable year, net of exemptions, exceeds \$2,500;
- d) Every nonresident alien who during the taxable year has income from Puerto Rico sources subject to tax, unless the taxes have been totally paid at source; or
- e) **Every individual who during the taxable year has net income subject to alternate basic tax of \$150,000 or more.**



### WHO MUST FILE THE SHORT FORM?

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



- ✘ Your gross income is not more than \$100,000.
- ✘ Your taxable income consists only of salaries, wages or tips from Puerto Rico, wages from the Federal Government or payments from annuities and pensions.
- ✘ You do not claim a deduction for alimony payments.
- ✘ You only claim the Employment Credit, the Credit for Persons Age 65 or Older, the Compensatory Credit for Low Income Pensioners or the Credit for the Payment of Additional Duties for Luxury Vehicles under Act No. 42-2005.
- ✘ You are not required to pay estimated tax.
- ✘ You are a resident or nonresident individual, who has not received remuneration for services rendered to teams of the Major League Baseball and the U.S. National Basketball Association for games held in Puerto Rico.
- ✘ **Your net income subject to alternate basic tax is less than \$150,000.**

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

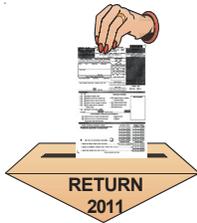
### WHEN MUST THE RETURN BE FILED?



If you file on a calendar year basis or do not keep accounting records, you must file your return on or before **April 17, 2012**.

### WHERE MUST THE RETURN BE FILED?

The return may be filed:



- ✘ electronically using any program or application certified by the Department;
- ✘ by mail sending it to the following address: DEPARTMENT OF THE TREASURY, PO BOX 50072, SAN JUAN PR 00902-6272; or
- ✘ personally at 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 BILL OF RIGHTS

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

To receive a proper, considerate and impartial treatment.

The information submitted will be confidential.

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 a clear and simple explanation of the process to which the taxpayer will be subjected and the rights that assist him.

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

To 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.

To be informed of the nature of your tax liability.

To be advised of your right against self-incrimination by your own testimony, 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.

To consult at any moment during the interview an attorney, accountant, certified public accountant, or agent authorized to represent you within the Department, or to be able to finish the interview even when it has commenced.

To 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.

To claim the benefits of a payment plan if you can't pay the tax liability in full in the corresponding time.

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

To grant a written power of attorney 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.

No discrimination on the basis 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 of 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 Rights.

### OFFICE FOR THE PROTECTION OF TAXPAYER RIGHTS

The Office for the Protection of Taxpayer Rights (Ombudsman of the Taxpayer) was created to assure compliance with the provisions of the Taxpayer 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 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 of the rights of the taxpayer made by any employee of the Department.

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

## RELEVANT FACTS

### TAX REFORM

The Act No. 1-2011, better known as the Internal Revenue Code for a New Puerto Rico (Code), was designed to, among other objectives, simplify the tax system of Puerto Rico. The changes made to our tax system by this legislation provide relief and incentives for, among others, workers, senior citizens, and pensioners.

We have modified the Return and its Schedules to incorporate these changes. This will allow a more effective handling of the information and will speed up the processing of the forms. In the following topics we list the new tax benefits that apply to individual taxpayers and the most significant changes made to the return.

We encourage you to review the educational material available in our website: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr) which provides more detailed information about the changes brought about by the Reform.

### NEW TAX BENEFITS

- ☞ The number of classifications for the filing status of the taxpayer is reduced to three (3): individual taxpayer, married and married filing separately.
- ☞ The personal exemption is increased to a uniform amount of \$3,500 per person (\$7,000 for married taxpayers filing jointly).
- ☞ The exemption for dependent of \$2,500 may be claimed 50% by each parent when there is joint custody (\$1,250).
- ☞ The limit on the gross income that may be earned by a regular student is increased from \$3,400 to \$7,500 without the taxpayer who claims the exemption for the university student losing the right to claim the dependent, even if the student has the obligation to file a tax return.
- ☞ Veterans are granted an additional \$1,500 personal exemption, instead of a deduction. If the taxpayer and the spouse are both veterans, both have the right to this personal exemption.
- ☞ The concept of itemized and additional deductions was modified allowing in both return formats (Short and Long Form) to claim personal deductions of public interest that contribute to the welfare and quality of life of citizens, such as mortgage interests, charitable contributions, medical expenses, and retirement savings, among others.
- ☞ It is allowed to claim as a charitable contribution deduction the total amount donated up to a maximum of 50% of the adjusted gross income.
- ☞ It is allowed to claim as a deduction the medical expenses that exceed 6% of the adjusted gross income.

Medical expenses now include amounts paid for the prescription drugs and the cost of acquiring technological assistance equipment.

- ☞ The additional contribution that individuals age 55 or older may contribute to a Health Savings Account with a High Annual Deductible Medical Plan (Health Savings Account) was increased from \$600 to \$700.
- ☞ A special deduction of up to \$9,350 is granted to individuals who comply with certain requirements.
- ☞ All the brackets of net income subject to tax were expanded, reducing the determinable tax on all levels of income.
- ☞ The employment credit was increased to 3.5% of earned income up to a maximum of \$350 for the year for individuals with earned income that does not exceed \$22,500.
- ☞ Workers who earn \$20,000 or less will not be subject to the payment of tax for their earned income.
- ☞ Individuals age 65 or older with income of \$15,000 or less may claim a reimbursable credit of \$400.
- ☞ A new line is provided for claiming the credit for the payment of luxury vehicles additional duties under Act No. 42-2005.
- ☞ The last remnants of the marriage penalty are eliminated.

### SIGNIFICANT CHANGES IN THE RETURN

#### ☞ Return

The location of all the information gathered in the tax return form is substantially restructured, reducing it to only 2 pages.

#### ☞ Page 1

The questionnaire of the return has been simplified reducing the questions and the personal filing status.

The refund or total payment of the tax determined and the direct deposit option of the refund are transferred to this page.

A line is provided for indicating the portion of the tax overpayment that is selected to be contributed to the University of Puerto Rico Special Fund.

Also, transferred to this page are the oath and signature of the taxpayer and the specialist information, when applicable, including the specialist's signature.

## Page 2

This page now contains Part 1, which will be used to determine the adjusted gross income and the tax due or overpayment.

This page also provides for the computation of the exemption for dependents of parents with joint custody, the veterans' exemption, and the special deduction for certain individuals.

Two new credits were incorporated: Credit for persons age 65 or older and the Credit for the payment of additional duties on luxury vehicles under Act No. 42-2005.

Part 2 now includes all the information of the dependents claimed in the return. If you do not include all the information requested in this part, the exemption per dependent will be denied.

### Schedule A Individual

This schedule has been incorporated to the Short Form since the deductions applicable to individual taxpayers were combined and simplified, and can be claimed in both return formats, Short Form and Long Form.

### Schedule CH Individual

A column is incorporated to identify the dependents of parents with joint custody that wish to transfer the 50% dependent exemption.

The transfer will only be for the current tax period. If necessary, the release will be filled out each year. Therefore, the Schedule now consists of only one part.

### Schedule CO Individual

It is modified in accordance to the changes made in the deductions, clearly identifying those that will be attributed in a basis of 50% for each spouse and those that will be attributed individually.

A computation of the exemption per dependent of parents with joint custody is provided.

### Schedule IE Individual

A new Schedule is provided to inform the excluded and exempted income from gross income. This facilitates the computation on the limitation of the deduction of mortgage interest payments.

#### EVIDENCES OF THE RETURN

**You do not have to include with the return the evidences corresponding to the deductions and exemptions 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 evidence, 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 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 clearly and legibly in the space provided for this purpose in the return's heading. **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 notify it by using 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 website: [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 act for omissions in fulfilling your tax responsibility. The Department may make the collection in a traditional or electronic manner.

#### FILING 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, if it was received in the mail. 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 direct deposit of your refund into your checking or savings account, be sure that the correct information has been entered in the corresponding screen of the certified program or application used to file your return electronically.

**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 you 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.

**EXAMPLE A**

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

0249

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

\_\_\_\_\_ DOLLARS

ANY BANK  
Any Place, Ponce PR 00731

FOR \_\_\_\_\_

Routing/Transit Number: 021601244  
Account Number: 012 244400

Do not include the check number

⑆ 021601244 ⑆ 012 244400 ⑆ 0249

**AUTHORIZATION FOR DIRECT DEPOSIT OF REFUND**

**Deposit** Type of account:  Checks  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: John Doe and Jane Doe  
(Print complete name as it appears on your account. If married and filing jointly, include your spouse's name)



### 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.

### FORM OF ORGANIZING THE RETURN

To expedite the processing of your Income Tax Return and your refund, it is advisable to staple it in the left superior corner and organize it in the following order:

1. Short Form
2. Income Informative Forms (ie. W-2, 480.7C)
3. Schedules in alphabetical order
4. Copy of the request for extension of time to file return, if applicable
5. Staple the check, if any, in the upper central part of the first page of the return.

### Payment Forms

You may make your tax payment:

- by electronic debit if you use a program or application certified by the Department to file your return electronically;
- by check or money order to the order of the Secretary of the Treasury along the return;
- if you wish to pay by cash, debit card or credit card, you should visit any Internal Revenue Collections Office. Make sure you save and photocopy the payment receipt provided by the Collector.

### 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 will 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 child support, your refund may be withheld. If you understand that the withholding 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.

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

The COLA received by civilian employees of the Federal Government is excluded from 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 exemption 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 10 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 ten 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 10 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, the tax declared on the return which payment has been extended, shall be exempt from the payment of interest.

**For more details, please refer to Section 6080.16 of the Code.**

## TAXPAYER'S SERVICE FACILITIES

In the Taxpayer Service Centers, besides **informing about the status of your refund**, other services are offered such as: Tax Return Filing Certifications, Return 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 Call and Correspondence Center and the location of each one of our Service Centers:

☞ **Call 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

☞ **Aguadilla Service Center**

Punta Borinquen Shopping Center  
Bert St., East Parade St. Intersection  
Malezas Abajo Ward, Ramey Base

☞ **Arecibo Service Center**

Governmental Center  
372 José A. Cedeño Ave.  
Building B, Office 106

☞ **Bayamón Services Center**

Road #2  
2nd Floor, Gutiérrez Building

☞ **Caguas Services Center**

Goyco Street, Acosta Corner  
1st 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, **option number 8 in the directory**.

## HACIENDA MAKING CONNECTION

Access the Department of the Treasury's website: [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
- ☞ Programs for the preparation of Informative Returns and Withholding Statements for the year 2011.
- ☞ Virtual Internal Revenue Collections Office / Payments Online
- ☞ Internal Revenue Code of Puerto Rico of 1994, as amended
- ☞ Act No. 1-2011, Internal Revenue Code for a New Puerto Rico, as amended
- ☞ Forms, Returns and Informative Booklets, such as:
  - Income Tax Return of Taxable Corporations
  - *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 2800B - Planilla de Contribución sobre Caudal Relicto (Causantes fallecidos a partir del 1 de enero de 2011)* (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)

1. Write all the information clearly and legibly, 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. Make sure to include your date of birth and that of your spouse (if applicable), as it is essential to grant the Credit for persons age 65 or older.
5. Notify your change of address writing clearly and legibly the new address in the space provided for this purpose in the heading of the return.
6. In the case of a married couple filing jointly, the return may be filed under the name of any of the spouses.
7. If your net income subject to alternate basic tax is \$150,000 or more, **you must file the Long Form of the return.**
8. 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), must make sure to fill in completely the oval provided to indicate this option in the questionnaire of the return and to include Schedule CO Individual.
9. **Include all Withholding Statements (Forms 499R-2/W-2PR, W-2 or 480.7C) with your return.**
10. **Contributions made to Qualified Plans of Private Company Employers** (Part 15, Withholding Statement) are excluded from the salaries (Part 11). Therefore, **do not consider them again as a deduction.**
11. Complete in **Part 2 of the return** all the information related to your dependents.
12. **Do not include your spouse in Part 2 as a dependent. For tax purposes, a married taxpayer may not include a spouse as a dependent.**
13. Sign your return with **ink** and in the case of a joint return, make sure that **both spouses sign it.**
14. Use the correct tax return that applies to you: Short Form or Long Form.
15. Make sure to indicate on the envelope the concept applicable to your return: **Refund, Total Payment, Payment of the First Installment (Deferred Payment), Exempt and Others.** Make sure to fill in the corresponding oval.

**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 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

### 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 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 on the basis of 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.

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 in 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 in his/her income tax return the income from sources within Puerto Rico earned after the change of residence.

### NAME, ADDRESS AND SOCIAL SECURITY NUMBER

The mailing label located on the back of the instructions booklet that is received 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

legibly your new address. This allows 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 income, did not claim a certain deduction or credit, or claimed a deduction or credit for which you did 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 and indicate 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 if the deceased is the taxpayer or the spouse. Keep for your records copy of the Death Certificate.

### 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. Also, you must inform if you received excluded or exempted income during the year (Example: social security income, prizes from the Lottery of Puerto Rico or from racetrack winnings). **You must submit Schedule IE with a detail of the same.**

### HIGHEST SOURCE OF INCOME

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

### OCCUPATION

Inform the nature of you 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 31.

## 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** - This filing status is for every individual that at the end of the year is legally married and living together with his or her spouse.

However, those individuals that before their marriage executed a prenuptial agreement expressly stipulating that the economic regime of the married couple is one of complete separation of property, each spouse will be taxed separately as an **individual taxpayer** for income tax purposes.

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 individual taxpayer, from the date of the death up to the end of the year. **You must submit your spouse's name and social security number.**

**If you choose the optional computation of tax in the case of married individuals living together and filing a joint return, fill in completely the corresponding oval and go to Schedule CO Individual.**

2. **Individual Taxpayer** - This filing status is for those individuals who at the end of the taxable year:

- a) are not married, because they have never married, are widowed or divorced; or
- b) are married, but before their marriage executed a prenuptial agreement expressly stipulating that the economic regime of the married couple is one of complete separation of property. **You must provide your spouse's name and social security number.**
- c) are married, but not living with the spouse. An individual will be considered as not living with his/her spouse if at the end of the taxable year, he or she did not live with the spouse, and during an uninterrupted period of 12 months that includes the date of the end of the taxable year, he or she did not live in the same household as the spouse during an uninterrupted period of 183 days. **You must provide your spouse's name and social security number.**

3. **Married that files separately** - This filing status is for individuals that at the end of the taxable year are legally married, living together, and choose to file separately. If you file under this status, you should include your own income as provided under Section 1021.03 of the Code. Also, certain deductions must be allocated 50% to each spouse and others may be claimed fully by the spouse to whom they relate. **You must provide your spouse's name and social security number.**

## OPTIONAL COMPUTATION OF TAX

If you choose the **optional computation of tax** in the case of married individuals living together, filing a joint return, **fill in completely the corresponding oval** in the married filing status and **go to Schedule CO Individual**. See instructions of Schedule CO Individual.

### REFUND

#### Line 1 – Overpayment of Tax

An overpayment of tax or refund arises when the total tax withheld, refundable credits and amount paid with the automatic extension (if any) exceeds the tax determined. This amount comes from Part 1, page 2 of the return and arises when line 13 I is greater than line 12.

**Any overpayment of income tax will be applied against any exigible tax liability imposed by the Code.**

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

In the absence of liability from previous years, you may elect to contribute all or part of the overpayment of tax to the Special Fund for the Estuary of the Bay of San Juan or the Special Fund for the University of Puerto Rico. If you do so, enter the amount you wish to contribute to any of these Funds in lines 1A and 1B, respectively. Enter any balance to be refunded in line 1C.

### PAYMENT

#### Line 2 – Amount of Tax Due

If the tax determined exceeds the total tax withheld, refundable credits and amount paid with the automatic extension (if any), there is a total tax due. This amount comes from Part 1, page 2 of the return and results when line 13 I is less than line 12.

#### Line 3 - 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. 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 3(a).

You may elect to pay the total tax due (line 2) 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 application for automatic extension and this was less than 50% of the balance of the tax due determined after subtracting withholding and credits (Line 12 less lines 13A to 13G of Part 1), you must pay with your return the total unpaid tax

due (line 2, page 1). 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 determined after subtracting withholding and credits (Line 12 less lines 13A to 13G of Part 1), 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 tax due in two installments, enter the amount you are paying with your return on line 3(a).

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 - 2011.**

If you wish to pay in cash or credit or debit card, you can do so at any of our Internal Revenue Collections Offices. Make sure you 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

When the payment of interest is applicable, a surcharge of 5% of the amount due will be assessed, if the delay in payment 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, he or she shall be guilty of a third degree felony.**

### Line 4 - 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.

## DEPOSIT

### 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 fill out this part.

**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. In the case of a savings account, you must contact 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 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.**

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

## SIGNATURE OF THE RETURN

**The return will not be considered filed and will not be processed 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 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.

**PART 1- ADJUSTED GROSS INCOME, DEDUCTIONS, EXEMPTIONS, TAX COMPUTATION, CREDITS AND TAX WITHOLDING OR PAYMENT**

**CHILD INCOME (Section 1032.05)**

All income received by a child for services 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 \$5,000 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. If the child is a regular student, gross income can not exceed \$7,500.

**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 1, 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.**

**Line 5 – Total Deductions**

Enter the total number of deductions corresponding to individual taxpayers, as determined in Schedule A Individual, Part I, line 11. **Remember not to submit evidence of the deductions with the return. However, you must keep the evidence for these deductions for your records for at least 6 years,** in case they may be eventually requested by the Department.

For additional information, you can refer to the instructions of Schedule A Individual.

**Line 6 – Additional Personal Exemption for Veterans**

Enter the amount of **\$1,500** if you are a resident of Puerto Rico and a veteran of the United States Armed Forces. If married filing jointly and both spouses are veterans, the additional personal exemption is \$3,000.

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

**Line 7 – Personal Exemption**

Enter the amount of your personal exemption corresponding to your filing status. If you are married living with spouse filing jointly, enter \$7,000; individual taxpayer, enter \$3,500; if married filing separately, enter \$3,500.

**Line 8 – Exemption for Dependents**

Enter in the spaces provided in lines 8A and 8B, the number of dependents claimed according to their category. Indicate in line 8A the dependents with respect to whom only half of the exemption is claimed completely (\$2,500 per dependent), and in line 8B those which exemption is only claimed half of under the special rule of parents with joint custody (\$1,250 per dependent).

Multiply the amount of dependents claimed on each category (line 8A by \$2,500 and line 8B by \$1,250) and enter the result in the space provided for the total exemption for dependents.

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 **Part 2**, the name, date of birth, relationship, and social security number of each dependent claimed. **If you do not complete such part, nor meet these requirements, the exemption may be disallowed.** If the dependent does not have a social security number, you must request one at your nearest Social Security Office.

For the **definition of dependent**, refer to the instructions for **Part 2 of the return.**

**Line 9 – Special Deduction for Certain Individuals**

You may qualify to claim all or part of this special deduction if your principal source of income is wages, commissions, salaries and tips or income from annuities or pensions, among others. If you derive income in excess of \$5,000 from concepts different from the described above, no deduction will be allowed.

For the tax year 2011, the special deduction will be \$9,350, if the total adjusted gross income plus exempt income received does not exceed \$20,000. If such amount exceeds \$20,000, the admissible deduction will be reduced by fifty (50) cents per dollar in excess of \$20,000 until it reaches zero. This deduction may not reduce the net income to less than zero.

Married couples filing jointly **who choose the optional computation of tax** (Section 1021.03 of the Code), will have available the deduction for each spouse individually.

Fill out the following Worksheet to determine the special deduction you may claim.

1.	Did you receive income from concepts other than salaries and pensions in excess of \$5,000? If you answered "Yes" do not continue. You do not qualify to claim the Special Deduction. Enter \$0 on line 9 of the return or line 10 of Schedule CO Individual, as applicable. If you answered "Yes", continue to step 2.
2.	Enter your Adjusted Gross Income (Line 4 of Part 1 of Page 2 of the return or line 4 of Schedule CO Individual, Column B or C, as applicable)..... \$ _____
3.	Enter the amount of exempt income (Line 34 minus line 20, first Column of Part II of Schedule IE Individual) ..... \$ _____
4.	Total (Add lines 2 and 3) ..... \$ _____
	<ul style="list-style-type: none"> <li>• If this amount is \$20,000 or less enter \$9,350 on line 9 of the return (Line 10 of Schedule CO Individual, Column B or C, as applicable)</li> <li>• If this amount is \$38,700 or more, do not continue. You do not qualify to claim the Special Deduction. Enter \$0 on line 9 of the return (Line 10 of Schedule CO Individual, Column B or C, as applicable)</li> <li>• If this amount is greater than \$20,000 and less than \$38,700, continue with step 5.</li> </ul>
5.	Limitation of the Special Deduction
a)	Limit ..... (20,000)
b)	Difference (Line 4 minus line 5(a) ) ..... \$ _____
c)	Multiply by .50..... x .50
d)	Result (Multiply line 5(b) by line 5(c) ... \$ _____
e)	Maximum deduction..... 9,350
f)	Enter the amount of line 5(d)..... \$(_____)
g)	Line 5(e) minus line 5(f). This is your Special Deduction. Enter this amount in line 9 of the return (Line 10 of Schedule CO Individual, Column B or C, as applicable) \$ _____

**Line 12 - Tax Determined**

Use the following Table to compute your tax. Determine your tax considering your Net Taxable Income (Part 1, line 11 of the return or line 12 of Schedule CO Individual). Enter the total tax on this line.

**TAX COMPUTATION TABLE**

**Normal tax to individuals for the tax years that start after December 31, 2010 but not before January 1, 2012:**

If your net taxable income (line 11 Part 1 of the return or line 12 of Schedule CO Individual) is :	Your tax will be:
Not over \$5,000	0%
Over \$5,000, but not over \$22,000	7% of the excess over \$5,000
Over \$22,000, but not over \$40,000	\$1,190 plus 14% of the excess over \$22,000
Over \$40,000, but not over \$60,000	\$3,710 plus 25% of the excess over \$40,000
In excess of \$60,000	\$8,710 plus 33% of the excess over \$60,000

**Line 13(C) – Employment Credit**

Every individual resident of Puerto Rico or who generates earned income of \$22,500 or less 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 3.5% of the earned income up to a maximum of \$350. If the earned income exceeds \$10,000 but does not reach \$22,500, the maximum credit of \$350 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 pensions or annuities, taxable income under Section 1091.01 (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 1031.01) from interest or dividends, rents or royalties, the sale of capital assets, alimony payments received from 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 below, to determine the amount of credit that you may claim. Use **Table I** if your personal status is individual taxpayer or married filing separately. Use **Table II** if your personal status is married person living with spouse and filing jointly.

**Table I**

<b>Worksheet to Determine the Employment Credit for a Individual Taxpayer or Married Person Filing Separately</b>	
1. Total of lines 1B and 2B from Part 2 of the return. If the total is more than \$22,500, do not continue and enter zero ("0") on line 13(C), Part 1 of the return .....	\$ _____
2. Enter the amount of other income not considered earned income (line 3, Part I of the return and line 34 minus line 20, first Column, Part II of Schedule IE Individual): \$ _____. If this amount is more than \$2,200, do not continue and enter zero ("0") on line 13(C), Part 1 of the return.	
3. If line 1 is \$10,000 or less, multiply it by 3.5%. Otherwise, go to line 5 .....	\$ _____
4. Enter the smaller of line 3 and \$350. Transfer to line 13(C), Part 1 of the return .....	\$ _____
5. If line 1 is more than \$10,000 but less than \$22,500, enter here and on line 13(C), Part 1 of the return the product of the following calculation:  <div style="margin-left: 100px;"> <math display="block">* \\$350 - [( \text{line 1 of this worksheet} - \\$10,000) \times 2\%]</math> <math display="block">\\$350 - [ (\\$ \text{_____} - \\$10,000) \times 2\%]</math> <math display="block">\\$350 - [ \\$ \text{_____} \times 2\%]</math> <math display="block">\\$350 - \\$ \text{_____} = \text{.....}</math> </div>	\$ _____
<p>* For purposes of this calculation, do not consider cents.                      * If the result of this calculation is zero ("0") or negative, enter zero on line 13(C), Part 1 of the return.</p>	



**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 1 of the return attributable to the <b>primary taxpayer</b> (or total of lines 1B and 2B of Schedule CO Individual, if the optional computation of tax was chosen). If the total is more than \$22,500, do not continue and enter zero ("0") on line 1, Part III of this worksheet .....	\$ _____
2. Enter amount of other income not considered earned income attributable to the <b>primary taxpayer</b> (line 3, Part 1 of the return or line 3B of Schedule CO Individual and line 34 minus line 20, first Column, Part II of Schedule IE Individual): \$ _____. 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 3.5%. Otherwise, go to line 5 .....	\$ _____
4. Enter the smaller of line 3 and \$350. Transfer to line 1, Part III of this worksheet .....	\$ _____
5. If line 1 is more than \$10,000 but not more than \$22,500, enter here and on line 1, Part III of this worksheet the product of the following calculation:  <div style="margin-left: 40px;"> <math display="block">* \\$350 - [(line\ 1\ of\ this\ Part\ I - \\$10,000) \times 2\%]</math> <math display="block">\\$350 - [(\\$ \underline{\hspace{1cm}} - \\$10,000) \times 2\%]</math> <math display="block">\\$350 - [ \\$ \underline{\hspace{1cm}} \times 2\%]</math> <math display="block">\\$350 - \\$ \underline{\hspace{1cm}} = \text{.....}</math> </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 1 of the return attributable to the <b>spouse</b> (or total of lines 1C and 2C of Schedule CO Individual, if the optional computation of tax was chosen). If the total is more than \$22,500, 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 3, Part 1 of the return or line 3C of Schedule CO Individual and line 34 minus line 20, Part II from Schedule IE Individual): \$ _____. 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 3.5%. Otherwise, go to line 5 .....	\$ _____
4. Enter the smaller of line 3 and \$350. Transfer to line 2, Part III of this worksheet .....	\$ _____
5. If line 1 is more than \$10,000 but not more than \$22,500, enter here and on line 2, Part III of this worksheet the product of the following calculation:  <div style="margin-left: 40px;"> <math display="block">* \\$350 - [(line\ 1\ of\ this\ Part\ II - \\$10,000) \times 2\%]</math> <math display="block">\\$350 - [(\\$ \underline{\hspace{1cm}} - \\$10,000) \times 2\%]</math> <math display="block">\\$350 - [ \\$ \underline{\hspace{1cm}} \times 2\%]</math> <math display="block">\\$350 - \\$ \underline{\hspace{1cm}} = \text{.....}</math> </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 13(C), Part 1 of the return the sum of lines 1 and 2) .....	\$ _____



**Line 13 (D) – Credit for Persons Age 65 or Older**

Every taxpayer who is an individual may claim a reimbursable personal compensatory credit of \$400 if:

- on the last day of the taxable year he or she is age 65 or older,
- his/her gross income adding the exempt income and excluded items under Section 1031.01(b) does not exceed \$15,000, and
- is not claimed as a dependent by any other taxpayer for the taxable year.

Married taxpayers may each individually claim this credit for the taxable year.

Complete the following worksheet so you can determine if you are eligible to claim the Credit for Persons Age 65 or Older:

1. Were you or your spouse (if applicable) born on or before December 31, 1946? If you answered “No” do not continue. You are not eligible to claim the Credit for Persons Age 65 or Older. Enter \$0 on line 13(D) of the return. If you answered “Yes”, continue to step 2.
2. Determine your income from all sources:
  - a) If your personal status is individual taxpayer or married and you did not choose the Optional Computation of Tax (Schedule CO Individual), add line 4 of Part 1 of the return and line 1, Part III minus line 20, Part II of Schedule IE Individual.
    - If this amount is \$15,000 or less and your personal status is individual taxpayer or married filing separately, enter \$400 on line 13(D) of the return.
    - If this amount is \$30,000 or less and your personal status is married filing jointly, enter \$800 on line 13(D) of the return if both are age 65 years or older, or enter \$400 if only one is age 65 or older.
  - b) If your personal status is married and you choose the Optional Computation of Tax (Schedule CO Individual), add line 4 of Schedule CO Individual, Column B or C, as applicable and line 1, Part III minus line 20, Part II of Schedule IE Individual of the Taxpayer or Spouse, as applicable.
    - If the sum of these amounts for both spouses is \$30,000 or less, enter \$800 on line 13(D) of the return if both are age 65 or older, or enter \$400 if only one is age 65 or older.

**Line 13(E) – 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 13(F) – Credit for the Payment of Additional Duties on Luxury Vehicles under Act No. 42-2005**

The amount of the credit to be claimed will be equal to the amount of the duty paid for the government label (*marbete*) for the luxury vehicle plus 5% annual interest on that amount from March 16, 2007 to December 31, 2011, minus 33% for attorney's fees. The credit shall be claimed in two installments: 50% in the 2011 return and the remaining 50% in the 2012 return. Enter in this line, the amount that was notified to you by the Department of Treasury for the tax year 2011. **In order to claim this credit, the social security of the taxpayer and the spouse, as applicable, shall be entered in this line.**

**Line 13(G) – American Opportunity Tax Credit**

Enter the amount previously determined in Schedule B2 Individual, Part II, Line 7.

**Line 13 (H) - 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.**

Enter in this line the amount paid when filing Form SC 2644.

**PART 2 - DEPENDENTS INFORMATION**

In order to process the information of your dependents, and claim the exemption, you must complete this Part.

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) a 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 a **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 gross income of up to **\$7,500**, 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).

However, in the case of parents that are separated, divorced or do not have a right to file as married, and that have joint custody of their child, the dependent exemption will be divided in half between both parents. The joint custody must have been declared by a competent court or must comply with the definition established under Act No. 223-2011. In order for each parent to be able to claim half of the exemption, **fill out completely the oval in the column of joint custody**. However, one of the parents may claim the total exemption if the other parent releases in writing half of the exemption by using Schedule CH Individual, which should be included with the return.

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

**Aliens who are not residents 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, **fill in completely the oval that indicates "joint custody" (if applicable) and 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.

## INSTRUCTIONS TO COMPLETE THE SCHEDULES

### SCHEDULE A INDIVIDUAL – DEDUCTIONS APPLICABLE TO TAXPAYERS WHO ARE INDIVIDUALS

Use this Schedule to determine the itemized total deductions applicable to taxpayers that are individuals. **Remember not to submit evidence of the deduction with the return. However, you must keep the evidence of these deductions for your records for at least 6 years**, in case that they may be eventually requested by the Department.

**Line 1** - Enter the amount of home mortgage interest paid to acquire, refinance, improve or construct a property that constitutes a qualified residence. There shall be allowed as a deduction the lesser of the total mortgage interest paid or 30% of the taxpayer's adjusted gross income (Part 1, line 4 of the return) increased by any other income excluded or exempted from adjusted gross income, including child support payments (Schedule IE Individual, Part III, line 1) that is received during the taxable year for which the deduction is claimed.

This limitation will not apply under the following circumstances:

- when the total interest paid does not exceed 30% of the adjusted gross income of the taxpayer plus any other income excluded or exempted from the adjusted gross income, including child support payments, for any of the preceding three (3) taxable years before the year for which the deduction is claimed; or
- when the taxpayer or his/her spouse is 65 or older at the end of the taxable year.

If you qualify for the first exception, complete question C of the questionnaire, page 1 of the return and fill in completely the oval provided on line 1(c), Part I of this Schedule.

If you qualify for the second exception, make sure to indicate the date of birth for you and your spouse (if applicable) in page 1 of the return.

**You must keep for your records the Informative Return - Mortgage Interest (Form 480.7A) provided by the financial institution.**

**Qualified residence** means:

- 1) the principal residence of the taxpayer;
- 2) a second residence located in Puerto Rico and used by the taxpayer, or by any other person that has an interest in that property or by any member of his/her family, as a residence for a number of days that exceeds the larger of:
  - a) 14 days, or
  - b) 10% of the number of days during the taxable year in which the property has been rented at the prevailing rental market value.

Interest payments attributable to any portion of the mortgage debt in excess of the residence fair market value are not deductible.

A participant partner of a housing cooperative association may deduct payments representing home mortgage interest.

If you use a personal loan to acquire, construct or improve a qualified residence, which is not accepted by a mortgage institution as a mortgage guarantee or equity, you must keep for your records a copy of the property tax exemption application or of the appraised revision of the property.

**Also, loan origination fees (Points) paid directly by the borrower and loan discounts (Points) paid directly by the borrower, will be admitted as home mortgage interest deduction for the year in which they were incurred**, as long as the following requirements are met:

- 1) they are described on the Informative Return – Mortgage Interest (Form 480.7A),
- 2) they are paid to acquire your principal residence,
- 3) they are paid by the taxpayer; if they are financed through the mortgage loan, they will be deductible throughout the term of the loan, and
- 4) you keep for your records a copy of the canceled or substitute check.

The loan origination fees and loan discounts financed through a home mortgage loan will be deductible throughout the term of the loan. The deduction that you may claim will be the apportioned amount paid during the term of the loan.

In case of married taxpayers filing separately who only own one residence, one of the spouses has the sole right to claim such deduction. If the married couple has two residences, one spouse may claim the interest of the principal residence and the other spouse may claim the interest of the second residence. However, one of the spouses may claim all the home mortgage interest for both residences, if both spouses agree to that in writing.

**Enter in the spaces provided on line 1, the name and employer identification number of the banking or financial institution to which the payments were made, the loan number and the total amount of home mortgage interest paid.**

**Line 2** - Enter **losses on real property used as your principal residence** incurred during the taxable year, not compensated by insurance or in any other form. Such losses must be **caused by hurricane, earthquake, storm, tropical depression, floods, fire or other casualties**.

You must keep for your records a certification stating the amount of the loss and the type of damage. **Also, you must keep for your records a certification from the Civil Defense or Fire Department if the loss was from fire, and any other documents, public deeds or appraisals which reflect the value of the property subject to the loss.**

If after claiming the deduction, you receive any compensation from an insurance company or from a local or federal agency, you must include on the return the total amount received as part of your gross income.

In the case of married persons filing separate returns, or that choose the optional computation of tax, each spouse may claim 50% of this deduction.

**Line 3** - Enter the total medical expenses paid not compensated by insurance or in any other form, which exceed 6% of your adjusted gross income. Transfer to this line the amount of Part III, line 3 of this Schedule.

**Medical expenses are:**

- 1) professional services rendered by physicians, dentists, radiologists, clinical pathologists, surgeons, nurses or hospitals, within or outside Puerto Rico;
- 2) health or accident insurance premiums;
- 3) medicines for human consumption, destined to used in the diagnosis, cure, mitigation, treatment or prevention of illnesses, that were acquired solely and exclusively by medical prescription, if they have been prescribed by a doctor authorized to practice the medical profession in Puerto Rico and were dispatched by a pharmacist licensed in Puerto Rico; and
- 4) expenses incurred in the acquisition of any technological assistance equipment for persons with disabilities, specialized treatments or chronic illnesses.

For purposes of this deduction, the term technological assistance equipment means: any object, equipment or system part, purchased by the consumer, or provided by any agency or governmental dependency, that is original, modified or adapted, and that is used to maintain, increase or improve the capability of persons with disabilities. This includes but is not limited to: wheelchairs, motorized wheelchairs, motorized equipment used for mobility, adapted computers, electronic communication equipment, adapted computer programs, mechanic equipment used to read, hearing aids, among others.

The parent, tutor, or person responsible for the individual with the disability, specialized treatment or cronic illness, may claim this deduction or the individual in his/her own capacity.

**You must keep for your records the invoice or receipt that indicates the cost of the equipment and a medical certificate that indicates that the equipment is necessary for the condition or illness of the patient, also the copy of the canceled or substitute checks, or receipts evidencing the payments made for medical assistance.**

In the case of persons who qualify to deduct the cost incurred in a medical insurance for himself or his family as part of the industry or business expenses, he/she cannot claim simultaneously such expense as part of the deduction for medical expenses.

**Line 4** - You may deduct, subject to certain limitations, the charitable contributions paid during the taxable year to a non-profit religious, charitable, scientific, literary, educational or museological organizations, or to organizations for the prevention of cruelty or abuse of children, the elderly or disabled, or to animals, organizations for the prevention of domestic violence or hate crimes, or to organizations of war veterans in the United States or Puerto Rico. However, no part of the net earnings of any organization to which you contribute may benefit any private shareholder or individual.

You may also claim a deduction for contributions paid to:

- ✎ the Commonwealth of Puerto Rico, the United States Government, or any of its states, territories or possessions, or any political subdivision thereof, or the District of Columbia, when the contributions or donations are used exclusively for public purposes;
- ✎ university level accredited educational institutions established in Puerto Rico;
- ✎ the José Jaime Pierluisi Foundation;
- ✎ the Fund for the Financing of Cultural Affairs of Puerto Rico;
- ✎ the Puerto Rico Communitarian Foundation;
- ✎ the Corporation of the Symphonic Orchestra of Puerto Rico;
- ✎ the Fund for Services Against Remediable Catastrophic Illnesses.

The Secretary will publish a list of non for profit entities qualify to receive the contribution.

The allowable deduction is the total amount of the charitable contributions paid not to exceed 50% of your adjusted gross income. These will be itemized in Part III, Column (B) of this Schedule.

However, the allowable deduction may not exceed 30% of your adjusted gross income for contributions of conservation easements to government agencies or non profit organizations (**only if you do not claim a tax credit for this concept** and subject to the requirements provided by the Puerto Rico Conservation Easement Act), as well as for contributions to museological institutions, private or public, that consist of art work properly appraised or of any other objects of recognized museological value. If the fair market value of the contributed property exceeds the adjusted basis in the hands of the donor (determined under Section 1034.02 of the Code) by more than

25%, you will be allowed a deduction for the fair market value of the property donated, up to 30% of your adjusted gross income for the taxable year. Itemize these contributions in Part III, Column (C) of this Schedule.

It is important to point out that in order to claim the deduction for charitable contributions made to private museological institutions, they have to be conditioned to a provision that any type of future negotiation with the work or contributed object is forbidden, and that in case of dissolution of the private museological institution, the title of the art work or museological value objects contributed will be transferred to the Commonwealth of Puerto Rico and will become part of the National Collection of the Institute of Puerto Rican Culture.

If the charitable contributions is made to a museum located in Puerto Rico that is dully accredited by the American Association of Museums, the deduction will the fair market value up to 50% of the adjusted gross income of the taxpayer and will not be subject to the previous limitations. The charitable contributions in excess of the limit allowed may be carried over to the five subsequent taxable years.

You may claim an unlimited deduction for charitable contributions, if the amount of qualified charitable contributions plus the total amount of income taxes paid during the taxable year and in each of the 10 preceding taxable years, exceed 90% of your net income for each one of those years, determined without the benefit of the charitable contributions.

**Net income** is the adjusted gross income less the applicable deductions to taxpayers that are individuals, the special deduction for certain individuals and the exemptions (additional for veterans, personal and per dependents), as applicable.

The contributions of historic or cultural value made to a municipality, as certified by the Institute of Puerto Rican Culture or the Cultural Center of each municipality, or that makes possible the realization of any cultural or historic work, may be claimed as charitable contribution when the amount is \$50,000 or more, and is made in connection with the celebration of the centennial establishment of the municipality. The total of said contributions is not subject to the aforementioned limitations. Itemize these contributions in Part III, Column (D) of this Schedule.

To claim these charitable contributions, complete Part III of this Schedule and transfer to this line the total amount determined in line 8.

**You must keep for your records copy of the canceled or substitute checks, receipts or certifications evidencing the payments made.**

**Line 5** - Enter losses of automobiles, furniture, fixtures and other household goods (excluding the value of jewelry and cash), not compensated by insurance or in any other form, occurred during the taxable year due to earthquakes, hurricanes, storms, tropical depressions and floods. The deduction is limited to \$5,000 (\$2,500 if married filing separately or if you choose the optional computation of the tax) for the year in which the loss was incurred.

The amount of said \$5,000 not claimed in the year in which the loss occurred may be carried over to the next two consecutive taxable years as a loss of personal property due to casualties. **In order to be entitled to this deduction, the affected area must be declared as a disaster area by the Governor of Puerto Rico, and you must have claimed at the appropriate place within the time limit to do so, the benefits from the assistance programs approved for disaster events.**

**You must keep for your records copy of the approved claim filed stating the damages suffered.**

**Line 6** - 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 7** - 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 less.

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 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 the taxable year in which the individual has reached 75 years of age or more at the end of the taxable year. **Also, no deduction will be allowed if the income received during the year is from pensions or annuities.**

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 and inform if the contributions correspond to the taxpayer or the spouse.**

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

**Line 8** - In the case of an eligible individual, enter the contributions made during the taxable year by him/her or by 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 \$3,100. On the other hand, if you have a family coverage, the contribution cannot exceed \$6,200. Individuals who reach the age of 55 before the close of the taxable year, can make an additional contribution of up to \$700 for the 2011 taxable year.

If you were not eligible during 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 coverage under a family insurance plan, both will be treated as if they only have the family coverage.

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 9** - 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 that can be claimed **cannot exceed \$500 for each beneficiary.**

The account must be established by the individual who has the custody and parental rights over 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 by the end of such taxable year.

The taxpayer can make the contribution to the 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.

Transfer to this line the total of Part II, line 10 of this Schedule.

**You must keep for your records the certification issued by the institution which has the account where the contribution was made.**

**Line 10-** Enter the amount of interest paid or accrued during the taxable year over debts incurred for student loans **to cover expenses of the taxpayer, the spouse, or dependent** for registration, tuition and textbooks at university level, as well as expenses for transportation, meals and lodging in those cases in which the student had to live outside his/her home in order to pursue such studies.

**In the spaces provided on this line, enter the name and employer identification number of the financial institution, the loan number and the total interest paid.**

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

## **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 II, line 9 of this Schedule.**

## **PART III – MEDICAL EXPENSES AND CHARITABLE CONTRIBUTIONS**

Use this Part to determine the deduction for medical expenses and charitable contributions that you will claim on your return. You must provide a detail of each medical expense or contribution that you made during the year.

See full details for these deductions in the instructions to complete Part I, lines 3 and 4 of this Schedule.

It is very important to enter the name and address of the person or organization to whom the payment was made and the amount paid. **Evidence to support your payment must be kept for your records.**

Transfer the amount of the allowable deduction for medical expenses from line 3 to Part I, line 3 of this Schedule or line 5C of Schedule CO Individual if you choose the optional computation of tax. Transfer the total amount of the allowable deduction for charitable contributions from line 8 to Part I, line 4 of this Schedule or line 5D of Schedule CO Individual if you choose the optional computation of tax.

## 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 a 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.

A **qualified educational expense** 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 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 your personal status is individual taxpayer or married filing separately and your adjusted gross income is more than \$80,000 (\$160,000 if married) the credit will be subject to an additional limitation.

To claim this credit, it is required that you include with your return evidence of the payments made for tuition, fees and materials for courses, such as books, utilities and equipment. Taxpayers that file their return electronically, must send the expenses evidence by mail together with Schedule B2 Individual to the following address: DEPARTAMENTO DE HACIENDA, 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 Columns (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 - TRANSFER OF CLAIM FOR 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 the custody or will be divided in half between the parents that have joint custody. In the case of joint custody, you should fill out the oval for these purposes.

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 or with joint 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 or has joint 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, including those with joint custody, for the current taxable year if you complete and sign this Schedule and provide it to the parent that will claim the exemption for such dependents. **The parent that does not have a right to the custody or that only has joint custody must submit a copy of this Schedule with his/her tax return for the taxable year in which the exemption was released, so that he/she may claim the total 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 and filing a joint return. This computation allows each spouse to determine the tax individually.

If you choose this computation, **do not complete lines 1 through 11 of Part 1 of the return.** The following instructions detail how the income, deductions, personal exemption, additional personal exemption for veterans, exemption for dependents and special deduction for certain individuals 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 1, 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 earned by each spouse individually. Enter in Columns B and C, as it corresponds to the taxpayer and his/her 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.

You can also 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/her 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 the applicable Schedule H Individual with your return.**

### Line 5 – Deductions Allocated in Half (50%) of the Total

For taxpayers that choose the optional computation of tax, the following deductions will be attributed 50% to each spouse: mortgage interests, loss of the principal residence due to a

fortuitous cause, medical expenses, charitable contributions, and loss of personal property due to certain fortuitous causes. Therefore, once the amount of total deductions is determined on line 5F, enter 50% of said amount in Columns B and C of line 5G.

For detailed information of the deductions to be claimed in lines 5A through 5E, you can refer to the instructions of Schedule A Individual, Part I, Line 1 through 5.

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

### Line 6 – Deductions Individually Allocated

For taxpayers that choose the optional computation of tax, the following deductions will be claimed individually by the spouse to whom they correspond: contributions to pension or government retirement plans, to individual retirement accounts, to health savings accounts with a high annual deductible medical plan and to educational contribution accounts as well as interest paid on student loans at university level, up to the limits and subject to the provisions of the Code. Therefore, enter on Column B and C the amount of each deduction, as applicable to the taxpayer and to the spouse.

For detailed information of the deductions to be claimed in line 6A through 6E, you can refer to the instructions of Schedule A Individual, Part I, Line 6 through 10. It is not necessary to complete Schedule A Individual.

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

### Line 7 – Additional Personal Exemption for Veterans

Enter in Column B and C, as applicable to the taxpayer or the spouse, the amount of \$1,500, for an individual resident of Puerto Rico and veteran of the United States Armed Forces. If both spouses are veterans, each may claim \$1,500. **Keep for your records copy of Form DD-214 (Discharge from U.S. Armed Forces).**

### Line 8 – Personal Exemption

The amount of \$3,500 pre-printed on Columns B and C correspond to the personal exemption that each spouse may claim under the optional computation of tax.

### Line 9 - Exemption for Dependents

Enter in the spaces provided on lines 9A through 9B, the number of dependents claimed according to their category. Enter on line 9A the dependents for whom exemption is claimed completely (\$2,500 per dependent), and in line 9B those for whom only half of the exemption is claimed under the special rule of parents with joint custody (\$1,250 per dependent).

Multiply the amount of dependents claimed on each line by \$2,500 or \$1,250 as applicable. Add lines 9A and 9B and indicate the total in line 9C. Enter in each of the columns B and C of line 9D 50% of line 9C. It is necessary that you detail the information of the dependents that you claim in Part 2 of the return. For additional information, see instructions of **Part 2 of the return**.

### Line 10 – Special Deduction for Certain Individuals

You may qualify to claim all or part of this special deduction if your principal source of income is wages, commissions, allowances and tips or income from annuities or pensions, among others.

In the case of married taxpayers filing jointly that choose the optional computation of tax, the deduction is available to each spouse individually.

For the tax year 2011, the special deduction will be \$9,350, if the total adjusted gross income and exempt income received is not more than \$20,000. If the amount is more than \$20,000, the admissible deduction will be reduced by fifty (50) cents per each dollar in excess of \$20,000 until it reaches zero. This deduction may not decrease the net income to less than zero.

For additional information and the worksheet to determine the special deduction that may be claimed, refer to the instructions of line 9, Part 1 of the return.

### 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 12, 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 13. Transfer this amount to Part 1, line 12 of the return.

### Line 13 – 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, refer to the instructions of Schedule A Individual, Part 1, line 9 of the return.

## SCHEDULE H INDIVIDUAL - INCOME FROM ANNUITIES OR PENSIONS

This Schedule must be completed if you received income from annuities or pensions. 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 benefits from the Social Security Administration, do not complete this Schedule because such benefits are not taxable in Puerto Rico. Also, 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 or on Form 480.7C, Part 3. Also, include those amounts over which you prepaid the 5% special tax under Sections 1081.01(b)(9) of the Code or Section 1012D of the Puerto Rico Internal Revenue Code of 1994, as amended.

**Line 2 -** Enter the amount of pension received in each of the previous years and totalize the amounts in the boxed area.

**Line 3(a) -** Enter the amount of taxable pension received in each of the previous years and totalize the amounts in the boxed area.

**Line 3(b) -** Enter the amount of tax exempt pension received in each of the previous years and totalize the amounts in the boxed area.

### PART II - TAXABLE INCOME

**Line 7 -** Enter total amount received from annuities or pensions during the year. This information appears on Form 499R-2/W-2PR, Part 11 or on Form 480.7C, Part 13.

**Line 8 -** Enter \$11,000 if you are under 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 greater, until you have recovered the total cost of your annuity or pension. This amount cannot be greater 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 during 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 entered on line 11 of this Schedule, whichever is greater, but not greater 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 applicable, corresponding to the taxpayer or his/her spouse.

**Line 13** - Enter the income tax withheld, if any, and transfer this amount to Part 1, line 13B of your return.

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

## SCHEDULE IE INDIVIDUAL – EXCLUDED AND EXEMPTED INCOME

Complete this Schedule to inform the excluded and exempted income received during the taxable year. The total amount of exclusions and exemptions of gross income will be considered in the calculation of the limitation of 30% of income for mortgage interests deduction. Also, this schedule will be used to determine the excluded and exempted income subject to alternate basic tax.

Married taxpayers filing jointly that choose the optional computation of tax, shall complete and submit with the return a **Schedule IE Individual for each spouse**. Fill out completely the oval that identifies the taxpayer or the spouse, as applicable. Otherwise, fill out the oval that indicates "both".

### PART I – NET INCOME EXCLUSIONS

**Line 1** – Enter the income received under a life insurance contract whether in lump sum or installments, by reason of death or terminal illness of the policy holder. In the case of payments for terminal illness, previous authorization from the Secretary is required to claim the exemption and the policy holder should have less than a year of life expectancy. For more information, see Section 1031.01(b)(1) of the Code.

**Line 2** – Enter the value of property acquired through donation, legacy or inheritance. The income derived from such property is not considered excluded and therefore, should be included as net income. If the donation, legacy or inheritance is paid in installments, include as income the portion that is considered to be derived from the property. (Section 1031.01(b)(2) of the Code).

**Line 3** – Enter the amounts received through medical or accident insurance, under labor compensation acts, judicial or extra judicial indemnities and amounts received through pensions, annuities, or analog concessions for **personal physical lesions or physical illnesses** or by reason of occupational or non occupational disability.

**Line 5** – Enter the income derived from the discharge of debt, in whole or in part, if the discharge is done under one of the following circumstances:

- bankruptcy under Title 11 of the Code of the United States approved by a court with competent jurisdiction;
- taxpayer insolvency (liabilities exceed the fair market value of the assets);
- the debt is from a student loan the terms of which allow for discharge in exchange for work for a period of time in certain professions or for specific employers.

If the debt discharge is not due to one of the preceding circumstances, the income derived from it is considered taxable income.

The excluded amount of income for debt discharge will reduce certain tax attributes in the following order: first reduce but not below zero, the net operating loss incurred or available in the year of the discharge, any excess shall reduce the net capital loss incurred or available in the year of the discharge, or any excess shall reduce the tax basis of the asset that constitutes the collateral of the debt subject to discharge.

**Line 7** – Enter the income derived from meal or trip allowances paid for voluntary services under the Voluntary Act of Puerto Rico (Act No. 261-2004). This amount shall not exceed \$1,500. Any excess over such amount is included as taxable income. Enter the amount both in the corresponding column of items considered for the mortgage interests limitation, as well as the column of items subject to alternate basic tax.

**Line 8** – Enter the income received for child support. Do not include in this line payments received from alimony due to divorce or separation provided under Section 1033.13 of the Code. If you received payment from alimony due to divorce or separation, enter it on line 4, part 1, Long Form.

**Line 9** – Enter the total amount of other exclusions of gross income for which a line is not specifically provided in this Schedule, such as study scholarships, literary, scientific, artistic or other awards. Also, enter amounts excluded from gross income under special laws.

If you choose the optional computation of tax, indicate on line 1 through 4, 7 and 8 the total amount received by each spouse in his or her individual capacity. Enter on line 5 and 6 the amount of income received from each concept in a 50% proportion for each spouse. On the other hand, indicate on line 9 the total amount received by each spouse in his or her individual capacity or in a 50% proportion, as applicable.

## PART II - GROSS INCOME EXEMPTIONS

**Line 2(C)** - Enter the income received from interest of securities issued under the Agricultural Loans Act of 1971, as amended including obligations issued under any subsidiary of the Farm Credit Banks of Baltimore which funds are used to finance, directly or indirectly, agricultural loans and farmers in Puerto Rico. For more information, refer to Section 1031.02(a)(3)(C) of the Code. Enter the amount both in the corresponding column of items considered for the mortgage interests limitation, as well as the column of items subject to alternate basic tax. Submit the Informative Return – Exempt Income and Exempt Income Subject to Alternate Basic Tax (Form 480.6D).

**Line 2(D)** – Enter the interest income received from any of the following mortgages:

- secured by the National Housing Act of 1934, as amended, that have been issued not later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico;
- on certain mortgages on residential property located in Puerto Rico issued after June 30, 1983 and before August 1, 1997, secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944;
- on certain mortgages on new residential property located in Puerto Rico issued after July 31, 1997 and secured by the National Housing Act of 1934 or the Servicemen's Readjustment Act of 1944;
- on mortgages originated to provide permanent financing for the construction or acquisition of social interest housing;
- on mortgages secured under the Bankhead-Jones Farm Tenant Act of 1937, as amended. (Section 1022(b)(4)(I)).

Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Submit Form 480.6D.

**Line 2(E)** – Enter the interest income received from obligations secured by the Servicemen's Readjustment Act of 1944 that were issued not later than February 15, 1973 and possessed by residents of Puerto Rico on May 5, 1973 and issued within the 180 days following February 15, 1973 to be acquired by a resident of Puerto Rico. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Submit Form 480.6D.

**Line 2(F)** – Enter the interest income received from obligations secured by cooperative associations. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Submit Form 480.6D.

**Line 2(G)** – Enter the amount claimed as an exclusion, up to \$2,000 by an individual, for interest received from deposit accounts in Puerto Rico. Transfer to this line the amount entered in Schedule F Individual, Part I, line 3. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 2(H)** – Enter the interest income received from obligations issued by the Puerto Rico Conservation Trust "Fideicomiso de Conservación de Puerto Rico", the Puerto Rico Housing and Human Development Trust "Fideicomiso de Vivienda y Desarrollo Humano de Puerto Rico" and the San Juan Monument Foundation "Patronato de Monumentos de San Juan" (See Section 1031.02(a)(3)(L) of the Code).

**Line 3(A)** - Enter the distributions from limited dividends' corporations that qualify under Section 1101.01(a)(6)(A) of the Code. The taxpayer must submit with the return a statement evidencing the number of shares owned and the dividends received from those shares during the taxable year. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Submit Form 480.6D.

**Line 3(B)** - Enter the dividends received from domestic cooperative associations if the taxpayer that received them is a Puerto Rico resident. The taxpayer must submit with the return a statement evidencing the number of shares owned and the dividends received from those shares during the taxable year. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Submit Form 480.6D.

**Line 3(C)** - Enter the income received from dividend distributions made by an International Insurer or an International Insurer Holding Company as provided under Article 61.240 of the Puerto Rico Insurance Code. Submit Form 480.6D.

**Line 4** – Enter the fair rental value of housing and its belongings, and the amount of any payments for water, electricity, gas and telephone provided to a priest or minister of any religion properly ordained, as part of their compensation. The expenses may not be sumptuous or extravagant, as determined by the Secretary. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 5** – Enter the amount received for recapture of bad debts, prior taxes, surcharges and other amounts. For additional information, see Section 1031.02(a)(8) of the Code. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 6** – Enter the amount of remuneration received as a physician during the internship period under a contract with the Department of Health of Puerto Rico or with any municipality or political subdivision of the same for medical training through practice at a hospital. The exemption applies to remuneration in the form of a monthly allowance and the additional allowance for the cost of housing and meals for a maximum period of 72

months. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Submit the Withholding Statement (Form 499R-2/W-2PR) and a copy of the contract.

**Line 8** – Enter the exempt portion of the income received from pensions and annuities, up to the limit established on Section 1031.02(a)(13) of the Code according to age. Transfer to this line the amount entered in Schedule H, Part II, line 8. If you received more than one pension or annuity, add all the exemptions claimed in that line of each Schedule H Individual and enter the total amount on this line. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 9** - Enter amounts received as a pensioner of the Employees' Retirement System of the Commonwealth of Puerto Rico and its Instrumentalities, the Retirement Systems of the Judiciary and the University of Puerto Rico and the pensioners of the Teachers' Pension and Annuity System with respect to the Christmas Bonus, the Summer Bonus granted by Act No. 37-2001 and Act. 38-2001 and the Medications Bonus granted by Act No. 155-2003 and Act No. 162-2003. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 10** – Enter the amount of the gain on the sale or exchange of the principal residence by certain individuals. For more information, refer to Section 1031.02(a)(6) of the Code. Transfer to this line the amount entered on Schedule D1 Individual, Part II, line 14.

**Line 11** – Enter the amount received from certain exempt income related to the operation of a worker's owned special corporation "corporación especial propiedad de trabajadores", such as 90% of the rental payments for real and personal property used by the corporation in its development, organization, construction, establishment or operation. For more information refer to Section 1031.02(a)(17) of the Code. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 12** - Enter the amount of Cost of Living Allowance (COLA) received by employees of the Government of the United States of America who work in Puerto Rico up to the amount that is exempt from the income tax imposed by the Federal Internal Revenue Code (Section 1031.02(a)(18)). This exemption may be denied if the taxpayer has not complied with its tax obligations for the 4 years prior to the year in which the exemption is claimed. Transfer to this line the amount indicated in the "Wage and Tax Statement -Form W-2" (Federal Form W-2) provided by the Federal Government.

**Line 13** – Enter the amount received for unemployment compensation under an act of the United States, a state of the Union or the Government of Puerto Rico. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 14** – Enter the amount received of compensation for active military service rendered by military personnel in a combat zone. This exemption does not apply to military personnel transferred outside Puerto Rico to relieve other personnel that was sent to the combat zone. For more information, see Section 1031.02(a)(20) of the Code. Include Federal Form W-2.

**Line 15** – Enter the income received or earned in relation to the celebration of sports games organized by international associations or federations. This provision applies to Major League Baseball teams, and National Basketball Association teams for games celebrated in Puerto Rico. For more information, refer to Section 1031.02(a)(21) of the Code. Transfer to this line the amount entered in Schedule F Individual, Part VII, Line 1, Column D.

**Line 16** – Enter the amount received by an eligible researcher or scientist for services rendered to a superior level educational institution to perform eligible scientific research as provided in Section 1031.02(a)(26) of the Code and the regulations issued thereunder. Include with your return the certification issued by the Department of Treasury or Form 480.6D.

**Line 17** – Enter the compensation received by an eligible researcher or scientist for services rendered in the District established under Article 7 of Act 214-2004, as amended. For more information, refer to Section 1031.02(a)(27) of the Code.

**Line 18** – Enter the amount of rents received from the rental of buildings in the historic zone of Old San Juan, as established by the Puertorrican Culture Institute (*Instituto de Cultura Puertorriqueña*) or the Planning Board (*Junta de Planificación*). Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax.

**Line 19** – Enter the compensation received that was paid by a foreign person to a non-resident individual for technical services rendered during the realization of cinematographic or film productions.

**Line 20** – Enter the amount paid by an employer to an employee as a reimbursement for expenses related to trips, meals, lodging, entertainment (not sumptuous or extravagant) and other expenses related to the employment, provided the reimbursement was done pursuant to a reimbursement plan established by the employer that complies with the requirements established by the Secretary.

**Line 21** – Enter the income from sources outside of Puerto Rico received by a United States citizen not resident of Puerto Rico during the entire taxable year or the amounts allocated to the period of non residency of an individual that changes his or her residence to Puerto Rico during the taxable year. Deductions attributable to amounts excluded from net income will not be allowed.

**Line 22** – Enter the amount of remuneration received by employees of foreign governments or international organizations. For more information, refer to Section 1031.02(a)(34)(E) of the Code.

**Line 23** – Enter the income received from buildings rented to the Government of Puerto Rico for public hospitals, health or convalescent house, public schools, solely and exclusively if they had a valid rental contract executed on or before November 22, 2010.

**Line 24** – Enter the income derived by the taxpayer from the resale of personal property or services whose acquisition by the taxpayer was subject to tax under Section 3070.01 of the Code or Section 2101 of the Puerto Rico Internal revenue Code of 1994, as amended.

**Line 25** – Enter the amount of accumulated gain from non qualified options to acquire stock over which the taxpayer has paid in advance the tax. (See Section 1040.08(e)(1)(A) of the Code.) Include Form 480.6D.

**Line 26** – Enter the distributions of amounts previously notified as implicit eligible distributions under Section 1023.06(j) of the Code. Include Form 480.6D

**Line 27** – Enter the amount of distributions from Non Deductible Individual Retirement Accounts. (See Section 1081.03 of the Code). Include Form 480.6D.

**Line 28** – Enter the amount of compensation paid to an employee for liquidation or close of the business or qualified employees profit sharing programs, when the discharge is for the reasons provided in Article 2(d), (e) and (f) of Act 80 of May 30, 1976, as amended. *Include Form 480.6D.* Enter the amount in the corresponding column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. For more information, refer to the Administrative Determination No. 08-13 of October 31, 2008.

**Line 29** – Enter the dividend or benefit distributions of industrial development income of exempt businesses under the Economic Incentives Act for the Development of Puerto Rico (Act No. 73-2008) and the Tax Incentives Act of 1998 (Act No. 135-1997). For the treatment of such distribution currently or in liquidation, see Circular Letter of Internal Revenue No. 09-06 of July 22, 2009.

**Line 30** – Enter the amount of wages received by public employees for overtime work in emergency situations under Act. 324-2004. Enter the amount in the column of items considered for the mortgage interest limitation as well as the column of items subject to alternate basic tax. Include Form 499R-2/W-2PR.

**Line 31** – Enter the income from copyrights up to \$10,000 under the Puerto Rico Integral Development of the Book Industry Incentives Act (Act. No. 516-2004).

**Line 32** - Enter the income received by a designer or translator for its work in the preparation of books up to \$6,000, under Act No. 516-2004.

**Line 33** – Enter the total amount of other exemptions from net income for which there is not a specific line provided in this Schedule,

even if they are granted by special acts, such as racetrack winnings or income generated from participants of the Caribbean Series (*Serie del Caribe*).

If you choose the optional computation of tax, enter on lines 1,4, 6,8,9,12 through 17, 19 through 20, 22, 25, 27, 28 and 30 through 32 the total amount received by each spouse in his or her individual capacity. Enter in lines 2, 3, 5, 7, 10, 11, 18, 23, 24, 26 and 29 the amount of income received per each category in a proportion of 50% of the total to each spouse. On the other hand, enter in lines 21 and 33 the total amount received by each spouse in his or her individual capacity or in a proportion of 50% each one, as applicable.

### PART III – TOTAL

**Line 1** – Add line 10 of Part I and line 34 of Part II of the first column. This is the amount of excluded and exempt income that you consider for the 30% limitation of income when you claim the deduction for mortgage interest. **You should complete and submit with your return this Schedule to have the right to have this income considered for purposes of such deduction in Schedule A Individual, Part I, line 1(b) (Schedule CO Individual Short Form, line 5(A)(2) or Schedule CO Individual Long Form, line 7(A)(2)).**

**Line 2** – Add line 10 of Part I and line 34 of Part II of the second column. This is the total income excluded and exempted subject to basic alternate tax. Transfer this amount to Schedule O Individual of Long Form, Part I, line 8.

## Occupational Codes

2011

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.