



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

INDIVIDUAL INCOME TAX RETURN 2003

MESSAGE FROM THE SECRETARY OF THE TREASURY

Dear Taxpayer:

Through this booklet you can learn about the applicable law provisions to file your 2003 Income Tax Return. For example, we can mention that the deduction for child care expenses is \$1,200, for one child and \$2,400 for 2 or more children. There is also an additional deduction for married individuals of \$3,000 when both spouses work. Moreover, an additional deduction of \$500 is allowed for expenses incurred in the acquisition and installation of a personal computer in the taxpayer's principal residence to be used by the dependents.

In addition, I would like to remind you that, as in last year, through our page in the Internet, www.hacienda.gobierno.pr, you can file your Income Tax Return and pay any tax due using our Tax Returns Online system (TRO). If you need information about our services, you can contact the Department of the Treasury's personnel at (787) 721-2020, extension 3611 or toll free at 1-800-981-9236.

Juan A. Flores Galarza

Approved by the State Elections Commission

SHORT FORM

If you file on a calendar year basis or if you do not keep accounting records, you must file your return on or before April 15, 2004.

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FILING REQUIREMENTS

WHO MUST FILE THE INCOME TAX RETURN?

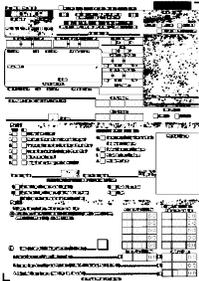


- a) Every individual resident of Puerto Rico who is single (or married not living with spouse), that during the taxable year has a gross income over \$3,300;
- b) Every individual resident of Puerto Rico who is married living with spouse, that during the taxable year has individually or jointly, a gross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



WHO MUST FILE THE SHORT FORM?

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



- Your gross income is \$75,000 or less.
- Your income consists only of salaries and wages subject to withholding in Puerto Rico, tips, wages from the Federal Government or payments from annuities and pensions.
- You claimed the standard deduction (do not itemize).
- You only claim credit for salaried taxpayers or credit for contributions to the Educational Foundation for Free Selection of Schools.
- You are not required to file an Estimated Tax Declaration.
- You are a United States citizen or a resident alien.
- You do not file under the status of married filing separate returns.

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

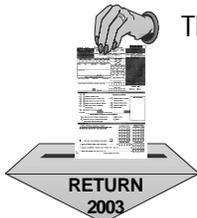


WHEN THE RETURN MUST BE FILED?

If you file on a calendar year basis or do not keep accounting records, you must file your return on or before **April 15, 2004**.

WHERE THE RETURN MUST BE FILED?

The return can be mailed to the following address:



a) Returns with Refund:
 DEPARTMENT OF THE TREASURY
 PO BOX 50072
 SAN JUAN PR 00902-6272

b) Returns with Payment and Others:
 DEPARTMENT OF THE TREASURY
 PO BOX 9022501
 SAN JUAN PR 00902-2501

For your convenience **we are enclosing two envelopes with different addresses and colors**, whichever applies. Make sure to use the correct one.

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

RELEVANT FACTS

NEW FORMAT

From taxable year 2002, **the format of the Short Form and its Schedules were modified**, to adjust it to the new technological equipment acquired by the Department to process the return. This will allow us to process the return in a faster, more accurate and effective way.

The main change was made in the spaces to provide numeric information. Now the amounts will be indicated in boxes instead of lines. It is important to point out that only one (1) digit must be entered in each box. As a result of this change, the return consists of 3 pages.

You must write all the information in a clear and legible way, and fill in the ovals completely, so the process can be more effective.

EVIDENCES OF THE RETURN

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

SOCIAL SECURITY NUMBER

The postal address mailing label that is on the back of the instructions booklet of the return will not have the taxpayer's social security number.

For this reason, you must write your social security number in the corresponding space of the return and the schedules. Is important that you write your social security number; this number is necessary to process your return.

CHANGE OF ADDRESS

From taxable year 2002, to notify a change of address **at the moment of filing the return, you will not have to complete Form SC 2898 (Change of Address)**. You must write the new address in a clear and legible way in the space provided for this purpose in the return's heading, therefore, **do not use** the label. Also, you must fill in completely the oval  beside "Yes" in the space to indicate if there was a change of address.

On the other hand, if you change your address **at any other moment during the taxable year, you must use Form SC 2898**. It is available at the Forms and Publications Division, Office 603 of the Department of the Treasury in Old San Juan, or you may request it calling (787)721-2020 exts. 2645 and 2646. Also you may obtain it accessing our Internet site www.hacienda.gobierno.pr.

NEW TAX BENEFITS

- ↗ Increase in the deduction for contribution made to an Individual Retirement Account (IRA) from \$3,500 to \$4,000 (from \$7,000 to \$8,000 in case of married individuals filing a joint return).
- ↗ Increase in the additional deduction for married persons when both spouses work from \$300 to \$3,000.
- ↗ An additional deduction that will not exceed \$500 is allowed for expenses incurred in the acquisition and installation of a personal computer in the taxpayer's residence to be used by his/her dependents.
- ↗ A tax exemption is granted to any compensation received for active military service rendered by military personnel in a combat zone, an extension of 6 months is granted for the payment of the corresponding tax, and an exemption from the payment of interest is granted to the income tax declared on the return which payment had been extended.

SIGNIFICANT CHANGES ON THE RETURN

↗ Return and Schedules

The color of the forms was changed to improve the processing and legibility of the return.

Also, in the parts where the taxpayer provided information making check marks, the boxes were changed to ovals, which must be filled in completely.

↗ Pages 2 and 3 of the Return

Space is provided at the top of each page to indicate the taxpayer's name and social security number.

↗ Part 3

Lines 7A (contributions to an individual retirement account) and **7B** (contributions to governmental pension or retirement systems) were interchanged.

Also, **line 7I** provides to claim the new additional deduction for expenses incurred in the acquisition and installation of a personal computer used by dependents.

↗ Schedule H Individual

To make easier the determination of the pension's cost to be recovered, space is provided in **Part I** to breakdown per taxable year the pension received in previous years, the taxable pension received in previous years, and the tax exempt pension received in previous years.

- ✍ **In the case of married 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 will 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 applies 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 to your account.

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

On the other hand, if after processing the return the refund does not apply, a notification will be sent in relation to this matter.

ENVELOPE TO SEND THE RETURN

In order to identify the return faster, we have enclosed 2 envelopes with different addresses and colors indicators: a yellow one for returns with refund; and a white one for returns with total payment, payment of the first installment (differed payment), payment through electronic transfer, exempt returns and others. Make sure to fill in the corresponding oval and to use the correct envelope.

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

The COLA received by civilian employees of the Federal Government is excluded from the gross income up to the amount exempt under the Federal Internal Revenue Code. You must keep for your records copy of the Certificate of Compliance with Tax Responsibility in the Case of Federal Government Employees. The same will be sent by mail automatically. If you do not receive the certificate by mail, call the Taxpayer's Service Offices.

PRIVISIONS 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.

Extension of Time to File

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

To enjoy this benefit you should:

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

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

Extension of Time to Pay

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

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

PAYMENTS FOR THE PREPARATION OF THE RETURN

If you pay for the preparation of your return, the signature, registration number, and employer's identification number of the specialist are required in your return. The Code provides civil and criminal sanctions to those income tax return specialists who do not provide this information.

RETURN WITH CHECK

Every taxpayer who sends a check with the return must attach the same to the upper part of the return's first page. This will allow us to apply the payment promptly and minimize mistakes in processing the return. It is important that you use the white envelope with the address for Returns with Payment and Others.

PAYMENT OF TAX THROUGH ELECTRONIC TRANSFER

You may pay the total or the first installment of income tax declared in the income tax return, through electronic transfer using the telephone. You may also make the second installment



of income tax using this method. This service is exclusive for clients of the participating banking institutions. You must have your social security number and bank account number at the moment of making the call.

Procedure

- 1) Call your banking institution and ask for this service.
- 2) In the space provided for this purpose on line 19(b) of the return, write the transaction number provided by your banking institution.
- 3) In the upper left part of the return's envelope you must fill in the oval corresponding to payment through electronic transfer.
- 4) Mail your return on or before April 15.

For additional information, please call the Taxpayer's Service Offices.

OVERPAYMENT APPLICATION

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

RETENTION OF REFUND FOR THE CONCEPT OF CHILD SUPPORT

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

TAXPAYER'S SERVICE FACILITIES

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

Following is the address and telephone number of our offices:

☞ **San Juan**
 Intendente Ramírez Building
 10 Paseo Covadonga Office 211
 Telephone: **(787)721-2020** extension **3610**
 or **1-800-981-7666**

☞ **Bayamón**
 Road #2
 2nd Floor Gutiérrez Building
 Telephone: **(787)778-4949**, **(787)778-4973** or
(787)778-4974

☞ **Caguas**
 Goyco Street, Acosta Corner
 1st Floor Governmental Building Office 110
 Telephone: **(787)258-5255** or **(787)745-0666**

☞ **Mayagüez**
 Governmental Center
 #50 Nenadich Street Office 102
 Telephone: **(787)265-5200**

☞ **Ponce**
 Eurobank Building
 #26 Hostos Ave.
 Telephone: **(787)844-8800**

TECHNICAL ASSISTANCE

For additional information on the technical contents of this pamphlet or to clarify any doubts, please call **(787)721-2020** extension **3611** or **1-800-981-9236**.

HACIENDA MAKING CONNECTION

The Department of the Treasury has a site on the **INTERNET**. Here you can access information about the following services, among others:

- ☞ Electronic transfer for **all** Individual Tax Returns
- ☞ Program for the preparation of the Individual Income Tax Return 2003
- ☞ Income Tax Return of Taxable Corporations and Partnerships
- ☞ Puerto Rico Internal Revenue Code of 1994, as amended (Spanish only)
- ☞ Form SC 2898 - Change of Address
- ☞ Form AS 4809 - Information of Identification Number - Organizations (Employers)
- ☞ *Modelo SC 2800 - Planilla de Contribución sobre Caudal Relicto* (Spanish only)
- ☞ *Modelo SC 2800A - Planilla Corta de Contribución sobre Caudal Relicto* (Spanish only)
- ☞ *Modelo SC 2788 - Planilla de Contribución sobre Donaciones* (Spanish only)



- ↪ Informative Booklet to Provide Orientation about your Income Tax Return (Spanish and English)
- ↪ Informative Booklet to Provide Orientation on the Income Tax Responsibilities of Federal, Military and Other Employees
- ↪ Informative Booklet regarding the Withholding of Income Tax at Source in Case of Professional Services (Spanish and English)
- ↪ *Folleto Informativo 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)

You can access at: www.hacienda.gobierno.pr. Also, you can let us know your opinion through our E-MAIL at: InfoServ@hacienda.gobierno.pr.

TAXPAYER'S BILL OF RIGHTS

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

To receive a proper, considerate and impartial treatment.

Confidentiality of the information submitted.

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

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

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

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

Be informed prior to the interview of the intention to tape the interview and to be able to obtain an exact copy of such recording prior to the payment of the cost thereof.

Be informed of the nature of your tax liability.

Be advised of your right against self-incrimination, to remain silent and that your silence should not be taken or commented against you, in case of a possible exposure to a criminal action.

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

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

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

Grant a written power to authorize any person to represent you during a tax interview or process. Such person shall receive, for purposes of the interview, equal treatment as you, unless you are notified that such person is responsible for an unreasonable delay or interference with the audit.

Not to be discriminated because of race, color, sex, birth, origin or social condition, or political, religious ideas or association of any taxpayer or his representative. No records will be maintained containing tax information for these purposes.

The Department's employees will explain and protect your rights during all phases of the process. If you believe that your rights have been violated, you should discuss this matter with the supervisor of the employee. If you do not agree with the action taken by the supervisor, you may file a complaint with the Office for the Protection of Taxpayer's Rights.

OFFICE FOR THE PROTECTION OF TAXPAYER'S RIGHTS

The Office for the Protection of Taxpayer's Rights (Ombudsman of the Taxpayer) was created to assure the compliance of the provisions of the Taxpayer's Bill of Rights. Said office is located at the Department of the Treasury in Old San Juan, Office 315. For assistance, please call (787)977-6622, (787)977-6638, or (787)721-2020, extensions 3303, 3304 and 3305.

The Ombudsman of the Taxpayer is responsible for attending to the problems and claims of the taxpayers and to facilitate the process between the taxpayers and the Department of the Treasury. Also, the Ombudsman of the Taxpayer has authority to prevent or correct any infringement by any employee of the Department of the rights of the taxpayer.

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

SUGGESTIONS TO AVOID MISTAKES WHEN FILING YOUR RETURN

1. Write all the information in a clear and legible way, and the ovals must be filled in completely.
2. ***Make sure to write your social security number on the return and schedules.***
3. Verify that your **social security number** is the one shown on the Withholding Statement.
4. Notify your change of address writing clearly and legible the new address in the space provided for this purpose in the heading of the return.
5. In the case of a married couple filing jointly, the return must be filed under the husband's name.
6. **Include the Withholding Statement (Forms 499R-2/W-2PR or W-2) with your return.**
7. **The contributions made to Qualified Plans** (Part 16, Withholding Statement) are excluded from the salaries (Part 12). Therefore, do not consider them again as a deduction.
8. If you claim ordinary and necessary expenses, make sure that you only claim the smaller of 3% of your adjusted gross income, \$1,500 or the amount actually incurred.
9. If you claim automobile loan interest, make sure not to exceed \$1,200.
10. **Do not include your spouse as a dependent. A married individual living with his spouse is not a head of household for tax purposes**, therefore, he should not include the wife's name in the box for head of household.
11. **If a dependent entitles you the head of household filing status, do not claim an additional exemption for that dependent.**
12. Complete **Schedule A1 Individual** with all the information regarding your dependents and beneficiaries of Educational Contribution Accounts and send it with the return.
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 choose **the envelope with the applicable address** to send your return: **Envelope with Yellow indicator for Returns with Refund; or White Envelope for Returns with Total Payment, Payment of the First Installment (Differed Payment), Payment through Electronic Transfer, Exempt Returns and Others.** Make sure to fill in the corresponding oval.

INSTRUCTIONS TO COMPLETE THE SHORT FORM RETURN

To fill out this form you must consider the following:

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



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

Correct: Incorrect:

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

NAME, ADDRESS AND SOCIAL SECURITY NUMBER

The mailing label that is on the back of the instructions booklet 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 electronic mail address, include it in the space provided for this purpose.

CHANGE OF ADDRESS

If there was a change of address at the moment of filing the return, fill in completely the corresponding oval and write clearly and legible your new address. This allow us to

keep our records up to date and send you any notice to the correct address.

AMENDED RETURN

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

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

TAXPAYER DECEASED DURING THE TAXABLE YEAR

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

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

The administrator or representative must fill in completely the oval corresponding to **Deceased during the year**, which is located at the top right side of the return. Also, you must keep for your records copy of the Death Certificate.

TAXPAYER MOVED TO PUERTO RICO DURING THE YEAR

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

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



The income from sources outside of Puerto Rico received by an individual attributable to the period when he/she was not a resident of Puerto Rico is not taxable in Puerto Rico. Deductions attributable to 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.

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.

PART 1 - TAXPAYER'S INFORMATION

QUESTIONNAIRE

Fill in completely the applicable oval to indicate if you are a United States citizen and if you were a resident of Puerto Rico at the end of the taxable year. Also, you must inform if you received tax exempt income during the year (Example: social security income). **You must keep for your records a schedule detailing it.** Indicate if you make child support payments through the Child Support Administration (ASUME).

HIGHEST SOURCE OF INCOME

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

FILING STATUS AT THE END OF THE TAXABLE YEAR

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

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

in one household, one or more dependents closely related to them by blood, marriage or adoption. If you are not legally separated from your spouse, you can qualify as head of household subject to compliance with the requirements of the Code and its regulations.

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

PART 2 - ADJUSTED GROSS INCOME

CHILD INCOME (Section 1022(j))

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

If the child receives income from services rendered, and said gross income does not exceed \$1,300, the parents can claim him/her as a dependent. In case that the child is a regular student, said gross income should not exceed \$3,300.

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 and your spouse during the taxable year. This information is found in Part 12 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 14 of your Withholding Statement. If there is no tax withheld, enter zero.

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

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

Make sure to include with your return all Withholding Statements (Form 499R-2/W-2PR), so that we can process it.

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.

Submit with your return copy of Form W-2 and keep for your records the Certificate of Compliance with Tax Responsibility in the Case of Federal Government Employees who qualify for the COLA exclusion.

Line 3 - Income from Annuities and Pensions

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

You must submit Schedule H Individual with your return.

PART 3 - DEDUCTIONS, PERSONAL EXEMPTION AND EXEMPTION FOR DEPENDENTS

Line 6 - Standard Deduction and Personal Exemption

Enter the amount of your standard deduction and personal exemption corresponding to your filing status. If you are married filing jointly, enter \$6,000; if married not living with spouse, enter \$3,300; if head of household, enter \$5,600; if single, enter \$3,300.

Line 7 - Additional Deductions

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

Line 7A - Contributions to an Individual Retirement Account

Enter all contributions made to a qualified Individual Retirement Account (IRA). **The maximum deduction for an individual is \$4,000** or the adjusted gross income from salaries or the earnings attributable to professions or business, whichever is smaller.

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

In the case of married taxpayers filing a joint return, this deduction cannot exceed \$8,000 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 \$4,000.

No deduction is allowed for a taxable year in which the individual

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

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

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

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

Line 7B - Contributions to governmental pension or retirement systems

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

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

Line 7C - Deduction when both spouses work

Enter \$3,000 if the taxpayer is married living with spouse and filing jointly, and both spouses receive earned income. If your filing status is married filing separately, you are not entitled to claim this deduction.

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

Line 7D - Deduction for Veterans

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

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

Line 7E - Ordinary and Necessary Expenses

Enter the amount determined on Schedule I Individual, Part I, line 8. This deduction is limited to the smaller of the amount paid up to \$1,500 or 3% of the adjusted gross income.

Line 7F - Automobile loan interest

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

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

Line 7G - Young people who work

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

Line 7H - Educational Contribution Account

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

The account must be established only by the individual who has the custody and the rights and obligations conferred by law of the beneficiary for whom the account was established. There is no limitation in the number of educational contribution accounts to which each individual can contribute, as long as such beneficiary is eligible. Under no circumstances, the total contributions to said accounts for each beneficiary in excess of \$500 will be allowed.

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

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

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

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

Line 7I - Acquisition and installation of a personal computer used by dependents

Enter the amount up to a maximum of \$500 for the expenses incurred in the acquisition and installation of a personal

computer in your residence to be used by your dependents.

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

You must keep for your records evidence of the payment for the acquisition and installation of this equipment. A taxpayer can claim only one deduction for this purpose.

Line 8 - Exemption for Dependents

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

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

Multiply the amount of dependents claimed on each line by the total exemption indicated in the return and enter the result in the space provided. Add lines 8A, 8B and 8C and enter on line 8D.

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

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

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

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

Line 11 - Tax Determined

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



TAX COMPUTATION TABLE

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

If your net taxable income (line 10) is:	Your tax will be:
Not over \$2,000	7%
Over \$2,000 but not over \$17,000	\$140 plus 10% of the excess over \$2,000
Over \$17,000 but not over \$30,000	\$1,640 plus 15% of the excess over \$17,000
Over \$30,000 but not over \$50,000	\$3,590 plus 28% of the excess over \$30,000
Over \$50,000	\$9,190 plus 33% of the excess over \$50,000

Line 12 - Credit for Salaried Taxpayers

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

To determine if you qualify for this credit on the Short Form of the return, the term **adjusted gross income** means: gross income less the allowable deduction for ordinary and necessary expenses. In other words, the total of lines 1B and 2B of Part 2 less line 7E of Part 3 of the return (or line 8, Part I of Schedule I Individual) can not exceed \$10,000.

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

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

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

The amount of credit allowed must not exceed \$250. Any excess may be deducted as an itemized deduction for charitable contributions, up to the limit allowed by the Code. If the contribution is in excess of the limit allowed for the credit, you must file the Long Form, as long as you qualify to

claim charitable contributions.

In order to claim this credit, you must keep for your records a certification from the Educational Foundation or copy of the canceled check as evidence of the contribution made.

Line 14 - Tax Liability

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

If you do not claim any credit, enter the tax determined on **line 11**.

Line 16 - Amount of tax due

Compare the amount on lines 14 and 15C. If line 14 is larger than line 15C, there is a balance of tax due. Enter the difference on this line. If the amount on line 15C is larger than the amount on line 14, you have a tax overpayment. Enter this difference plus the amount paid, if any, with the automatic extension of time to file the tax return (line 17) on line 21.

Line 17 - 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. This will be done by filing **Form SC 2644 (in case of military personnel active in a combat zone, refer to RELEVANT FACTS)**. **You must pay with your extension of time at least 50% of the balance of tax due.**

Line 19 - Amount paid

You may pay your tax sending the payment with the return or through electronic transfer. If a payment is sent with the return, you must enter the amount on line 19(a). If you made a payment through electronic transfer, you must enter the amount on line 19(b). In this case, you must also indicate the transaction number provided by your banking institution. For additional information about payment of tax through electronic transfer, refer to RELEVANT FACTS.

You may elect to pay the balance of tax due (line 18) 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 amount of the balance of tax due.**

If you made a payment with your request for automatic extension of time and it was less than 50% of the balance of tax due (line 16), you must pay with your return the balance of tax due less the amount paid with the extension (line 17). Interest will be charged from the original due date of the return to the date of payment.

If you made a payment with your request for automatic extension of time on or before the date in which you should have filed the return, and the payment was 50% or more of the balance of tax due (line 16), you may pay the remaining balance on or before October 15. In that case, no payment is required with the return.

If you decide to pay the balance of tax due in two installments, enter the amount you are paying with your return on line 19(a) or 19(b).

Make your check or money order payable to the Secretary of the Treasury. **Indicate your social security number and Form 481.0 - 2003 on the check or money order.**

If you decide to pay in cash, you can do it at any of our Internal Revenue Collections Offices. Make sure to obtain an official receipt from the Collector at the time of payment.

INTEREST, SURCHARGES AND PENALTIES

Interest

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

Surcharges

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

Penalties

The Code imposes a progressive penalty from 5% to 25% of the total tax for late filing unless you can show reasonable cause for the delay.

Any person required under the Code to file a return or declaration, and who voluntarily fails to file such return or declaration within the term or terms required by the Code or regulations, in addition to other penalties, shall be guilty of a misdemeanor and punished by a fine of not more than \$500 or imprisonment for a term of not more than 6 months, or both penalties, plus the costs of prosecution.

If any person voluntarily fails to file the above mentioned return or declaration (within the terms required by the Code or regulations) with the

intention to avoid or defeat any tax imposed by the Code, in addition to other penalties, shall be guilty of a felony and punished by a fine of not more than \$20,000 or imprisonment for a fixed term of 3 years. If there were aggravating circumstances, the established fixed jail penalty may be increased to a maximum of 5 years; if there were extenuating circumstances, it may be reduced to a maximum of 2 years, or both penalties, at the discretion of the Court, plus the costs of prosecution.

Line 20 - Balance of Tax Due

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

Line 21 - Amount to be Refunded

If line 15C is larger than line 14, or if line 17 is larger than line 16, you have an overpayment. Enter the difference on this line.

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

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

PART 5 - AUTHORIZATION FOR THE DIRECT DEPOSIT OF THE REFUND

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

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

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

Account Number - Enter the checks or savings account number. **Do not use hyphens or other symbols.** Neither fill out blank spaces with zeros. The account number may have less numbers than the spaces provided for this purpose in this box.

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



must be in the name of both spouses.

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

SIGNATURE OF THE RETURN

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

PAYMENTS FOR THE PREPARATION OF THE RETURN

If a payment is made for the preparation of the tax return, make sure that the specialist signs the return and includes his/her specialist registration and employer's identification number. The Code imposes civil and criminal sanctions to those income tax return specialists who fail to submit this information.

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 an accounting firm duly registered as a specialist, it must include the employer's identification number, registration number and be signed by the authorized person.

INSTRUCTIONS TO COMPLETE THE SCHEDULES

SCHEDULE A1 INDIVIDUAL - DEPENDENTS AND BENEFICIARIES OF EDUCATIONAL CONTRIBUTION ACCOUNTS

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

PART I - DEPENDENTS INFORMATION

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

If you claim the filing status of head of household in Part 1, indicate in the space **Head of Household** of Part I of this Schedule, the name, relationship, date of birth, and social security number of the dependent who entitles you to claim such status.

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;
- 5) an university student who at the close of the calendar year in which the taxpayer's taxable year begins **has not reached the age of 26**, as long as he/she has completed as a regular student, at least one semester in an **university or technical - professional institution recognized as such by the educational authorities of Puerto Rico, or of the applicable country, until he/she receives his/her degree.**

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

- 1) the person claiming the dependent must provide more than half of the support for the dependent during the

calendar year in which the taxpayer's taxable year began;

- 2) the dependent's gross income for the calendar year in which the taxpayer's taxable year began is less than the amount allowed as a credit for this concept. Nevertheless, if the dependent is your son/daughter and also a regular student, he/she may earn a gross income up to **\$3,300**, and still you have the right to claim him/her as a dependent.

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

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

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

Nonresident aliens of Puerto Rico do not qualify as dependents.

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

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

In the space provided, **write the complete name, relationship, date of birth, and social security number** of all dependents who are age one or older for whom you claim an exemption in 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 will be rejected.

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. You must also include the amount of said contributions.

For additional information regarding who qualifies for this deduction and its limitations, refer to the instructions of Part 3, line 7H of the return.

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

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

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

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

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

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

SCHEDULE H INDIVIDUAL - INCOME FROM ANNUITIES OR PENSIONS

This Schedule must be completed if you received income for annuities or pensions exceeding \$8,000 for individuals younger than age 60, or \$11,000 for individuals age 60 or older. Schedule H Individual provides space to report the income from only one annuity or pension. Therefore, in cases of individuals receiving

more than one annuity or pension, a separate schedule should be completed for each annuity or pension. If the taxpayer receives more than one annuity or pension, the exclusion will apply for each annuity or pension separately.

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

PART I - DETERMINATION OF COST TO BE RECOVERED

Line 1 - Enter the cost of the annuity or pension. 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 appears on Form 499R-2/W-2PR, Part 7.

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

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

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

PART II - TAXABLE INCOME

Line 7 - Enter the total amount received from annuities or pensions during the year. This information appears on Form 499R-2/W-2PR, Part 12.

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

If the total amount received during the year exceeds \$8,000 or \$11,000, 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 \$11,000, 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 cost of the annuity, whichever is larger, until you have recovered the total cost of your annuity, pension or policy tax free. This amount can not be larger than the amount on line 9.

If the payments received covered less than 12 months, multiply 1/12th from the 3% of the pension cost (line 1) by the number of months for which the pension was received. Enter on line 12 of this Schedule and in Part 2, line 3 of the return, the amount determined from the above computation, or the amount indicated on line 11 of this Schedule, whichever is larger, but not larger than the amount of line 9.

Line 13 - Enter the income tax withheld, and transfer this amount to Part 4, line 15B of your return.

Submit with your return the Withholding Statement (Form 499R-2/W-2PR) and this Schedule.

SCHEDULE I INDIVIDUAL - ORDINARY AND NECESSARY EXPENSES

The Code provides a deduction for certain ordinary and necessary expenses incurred to derive income as an employee. This deduction is limited to the amount paid up to \$1,500, or 3% of the adjusted gross income, whichever is smaller. The deduction claimed for ordinary and necessary expenses will be subject to a rigorous investigation. Therefore, in order to claim these expenses, you must be entitled to them, and keep the necessary evidence.

PART I - DETAIL OF EXPENSES

Line 1(A) - Enter 100% of expenses for meals and entertainment, which are neither luxurious or extravagant, paid by you, as a result of your services as an employee.

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

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

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

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

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

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

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

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

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

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

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

When an employee is transferred from one location to another by request of the employer, and receives a payment for such transfer, or that of his/her family or personal belongings, the amount so paid will be deductible from the employee's gross income. If the payment represents an allowance, the expenses paid or incurred by the employee for his/her transfer can be claimed as ordinary and necessary expenses up to the limit of \$1,500 or 3% of the adjusted gross income from salaries, whichever is smaller. Otherwise, if the payment represents a reimbursement, the expense actually paid or incurred can be deducted up to the amount reimbursed by the employer. Any excess paid with respect to the expenses actually incurred will be included in the employee's gross income for the taxable year in which said excess was received.

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

The expenses reimbursed must be informed by the employer on the Withholding Statement (Form 499R-2/W-2PR, Part 13).

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

Line 4 - Enter the salaries and wages subject to withholding from Part 2, line 1B of your return.

Line 5 - Enter the salaries received from the Federal Government from Part 2, line 2 of your return.

Submit this Schedule with your return.





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DEPARTMENT OF THE TREASURY
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IMPORTANT NOTICE:

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

IMPORTANT:

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