



Karolee García, Esq., CPA
Under Secretary of the Treasury

November 20, 2013

INTERNAL REVENUE INFORMATIVE BULLETIN NO. 13-25

ATTENTION: EMPLOYERS & WITHHOLDING AGENTS

SUBJECT: FORM 499R-2/W-2PR- WITHHOLDING STATEMENTS

Federal Public Law 111-148 known as the "Patient Protection and Affordable Care Act", amended Section 3101(b)(2) of the United States Internal Revenue Code of 1986 ("Federal Code") to establish an additional tax to the one point forty-five percent (1.45%) of the federal tax on wages, better known as "Medicare", for taxable year 2013. This section was subsequently amended by Federal Public Law 111-152 known as the "Health Care and Education Reconciliation Act of 2010", in order to clarify the scope and effectiveness of this new additional tax to income earned as compensation for services rendered by an individual.

In the case of wages paid to an employee, Section 3101(b)(2) of the Federal Code imposes on every individual an additional tax equal to point nine percent (0.9%) on wages which are received with respect to employment during any taxable year beginning after December 31, 2012, and which are in excess of: (1) two hundred fifty thousand dollars (\$250,000) in the case of married taxpayers filing a joint return; (2) one hundred twenty five thousand dollars (\$125,000) in the case of a married taxpayer filing a separate return; and (3) two hundred thousand dollars (\$200,000) in any other case (the "Additional Medicare Tax").

The Additional Medicare Tax applies only to individuals. Therefore, there is not an employer portion of the Additional Medicare Tax. However, Section 3102(f)(1) of the Federal Code provides that every employer shall withhold the Additional Medicare Tax to all employees who receive salaries in excess of two hundred thousand dollars (\$200,000), regardless of the personal status of such employee. This withholding applies to wages paid during taxable year 2013.

On September 10, 2013, the Puerto Rico Department of Treasury ("Department") issued the Internal Revenue Circular Letter No. 13-19 to inform that, for taxable year 2013, the only acceptable filing method for all Withholding Statements and Informative Returns will be through electronic transfer.

The purpose of this Informative Bulletin is to notify how the Additional Medicare Tax will be reported on Form 499R-2/W-2PR "Withholding Statement" ("W-2 PR") that must be filed electronically for the taxable year 2013.

For purposes of reporting the Additional Medicare Tax withheld on wages paid during taxable year 2013, employers must include said withholdings along with the regular Medicare Tax. Therefore, every employer or withholding agent must report all of:

- (1) the wages, including wages subject to the Additional Medicare Tax, in box number nineteen (19) entitled "Total Medicare Wages and Tips"; and
- (2) the Medicare Tax Withheld, including the Additional Medicare Tax, in box number twenty (20) entitled "Medicare Tax Withheld".

Based on the above, in order to complete Form W-3PR "Transmittal of Withholding Statements" for the year 2013 issued by the Internal Revenue Service ("IRS"), which is annually filed, along Forms W-2 PR, with the Social Security Administration ("SSA"), employers and withholding agents shall follow the same rule provided in this Informative Bulletin regarding the notification of the Additional Medicare Tax.

The provisions of this Informative Bulletin are effective immediately.

For additional information regarding the provisions of this Informative Bulletin, you may contact the General Consulting Section at (787) 722-0216, option 8.

Cordially,



Karolee García

