



Tax Alert:
Tax Exemption for Qualified Physicians: Guidelines for Community Service Compliance Certificate

INTRODUCTION

A circular letter issued by the Health Department and Economic Development secretaries earlier this year, details the process qualified physicians must follow to obtain the Community Service Compliance Certificate required for tax exemption under Act No. 14-2017, known as the Incentives Act for the Retention and Return of Medical Professionals.

Said circular letter also contains guidelines for interpreting, implementing and overseeing compliance of the community services requirement.

A qualified physician with a tax grant under Act 14-2017, must render 180 hours of unpaid community services each year, to obtain a Compliance Certificate. This certificate validates that the physician did, indeed, render the amount of medical community services required to maintain the tax exemption.

COMPLIANCE CERTIFICATE APPLICATION PROCESS

To obtain a Compliance Certificate, the qualified physician must complete and file the Compliance Certificate Application, and pay a \$300 filing fee. The application is available at www.salud.gov.pr and is due to be filed **before February 15th, 2021**, and before February 15th of each subsequent year.

It should be submitted to the Department of Health's Office of Regulation and Certification of Health Professionals and the Puerto Rico Board of Medical Licenses and Discipline (collectively known as ORCPS).

Following are several examples of eligible medical community services that may be provided to fulfill the 180-hour requirement for tax exemption purposes:

1. Assist in educating medical students, resident physicians and other health professionals at teaching hospitals or medical schools.
2. Render medical services in regions with shortage of certain specialized medical services, as determined by the Puerto Rico College of Physicians and the Puerto Rico Department of Health.
3. Provide on-call services in hospitals designated by the Puerto Rico College of Physicians and the Department of Health.
4. Serve as a resource for the community, conducting seminars on prevention and other health topics. The physician could also be a resource in trainings or continued education for students and medical professionals in Puerto Rico.
5. Render professional medical services to disadvantaged populations through nonprofit entities properly registered through Puerto Rico's Socioeconomic Development Office and those determined by the Puerto Rico College of Physicians and the Department of Health.
6. Render services as part of a contract with Puerto Rico's Government Health Plan. Under this alternative, the physician may receive compensation and the services may be offered as an employee, independent contractor or contracting entity.
7. Provide volunteer medical services in response to a health emergency or any other emergency declared by the Governor of Puerto Rico.

8. Provide volunteer medical services in Puerto Rico in response to a situation impacting public health in Puerto Rico, as declared by the Secretary of Health.
9. Render services as part of a contract with the Veterans Health Administration system in Puerto Rico. Under this alternative, the physician may receive payment for services provided.

Please refer to this Circular Letter for a list of the qualifying entities where medical community services may be rendered in order to meet the requirement for tax exemption.

EVALUATION OF THE APPLICATION

The application for a Compliance Certificate must be accompanied by certificates issued by the entities in which medical community services were rendered. These certificates should include a description of the services rendered and the amount of hours dedicated by the physician.

The Department of Health, through the ORCPS, will evaluate the application and issue the Compliance Certificate, within 20 days, directly to the Puerto Rico Treasury Department and the Office of Industrial Tax Exemption. The Compliance Certificate will cover the natural year prior to presenting the application form.

Medical students participating in a residence or fellowship program are exempt from the medical community service requirement. However, they should request the Compliance Certificate by presenting evidence that they are currently enrolled in a residence program or fellowship.

At RSM Puerto Rico, we can advise you on this matter. Please contact our tax advisors at (787) 751-6164, or email us at tax@rsm.pr for help or more information.

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