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REPORTING EXEMPT SALARIES UNDER ACT #135-2014

Year 2015 Issue #3

The Department of the Treasury issued Informative Bulletin 15-03 to provide information regarding rules for the implementation of the \$40,000 exemption for taxpayers between the ages of 16 to 26 established by Act 135-2014.

Any salaried employee resident of Puerto Rico between the ages of 16 to 26 can benefit from the exemption. In order to recognize the exemption, the employer must include the exempt salary on box 16 of Form 499R-2/W-2PR Withholding Statement (hereinafter "Withholding Statement") and the Exempt Salary Code "E" on box 16A. The exempt salaries cannot be included on box 7, 8, 9 or 10 of the Withholding Statement. However, if an eligible taxpayer had a salary greater than \$40,000 during the year, the excess over the \$40,000 must be included on box 7, 8, 9 or 10 of the Withholding Statement. If a qualified taxpayer under Act 135-2014 receives an incorrect Withholding Statement, the taxpayer must request that the employer correct the form before preparing and filing his/her Individual Income Tax Return.

The Informative Bulletin also states that the exemption under Act 135-2014 also includes taxpayers between the ages of 16 to 26 who earned self-employed income. However, the exempt income will not be informed on Form 480.6A Informative Return-Income Not Subject to Withholding or Form 480.6B Informative Return-Income Subject to Withholding. Consequently, the eligible taxpayer will be responsible for claiming the exemption on his/her Individual Income Tax Return.

Please contact us here at RSM where we are prepared and committed to answer all your inquiries related to these new rules.

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