

September 29, 2022



ADMINISTRATIVE DETERMINATION NO. 22-08

"TAX ADMINISTRATION ACTIONS IN RESPONSE TO THE EMERGENCY CAUSED AFTER THE PASSAGE OF HURRICANE FIONA"

Dear Clients and Friends:

As you know, Puerto Rico was recently directly impacted by Hurricane Fiona. The Puerto Rico Treasury Department ("PRTD") has issued the Administrative Determination No. 22-08 "TAX ADMINISTRATION ACTIONS IN RESPONSE TO THE EMERGENCY CAUSED AFTER THE PASSAGE OF HURRICANE FIONA", which can be found attached to this communication. We at Alvarado Tax & Business Advisors want to keep you informed of the tax actions, reliefs, and the updated filing deadlines.

Summary of the Tax Actions:

1. **Income Tax Returns for Individuals, Corporations, Passthrough Entities, and other legal entities:** Due date of filing is extended until Thursday, **December 15, 2022**, for all income tax returns or extensions that are due on September 30 or on any date thereafter until December 15, 2022.
2. **Income Tax Return for Senior and low-income pensioners:** Due date of filing is extended from October 14 until Thursday, **December 15, 2022**.
3. **August 2022 State Sales and Use Tax Return:** The PRTD amended the Administrative Determination No. 22-06, to extend the due date to file and pay this return from September 27 until Thursday, **October 20, 2022**. The municipal sales and use return was also extended until October 20, 2022.
4. **Other Forms and Payments or Deposits:** The filing of returns and payments or deposits related to the following taxes **are not included in the postponements**, and therefore, their corresponding original due date remains:
 - a. **September 2022 and subsequent Monthly Sales and Use Tax Returns**
 - b. **Excise Taxes**
 - c. **Taxes on Alcoholic Beverages**
 - d. **Special Excise Taxes on Foreign Corporation established under Law No. 154 of October 25, 2010 ("Act 154-2010")**
 - e. **Taxes Withheld on Wages**
 - f. **Taxes Withheld on Services Rendered**
 - g. **Any Other Withholdings at Source**
 - h. **Required Estimated Tax Payments to flow-through entities**

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5. **Second Installment of the Income Tax Determined in the 2021 Individual Return:** Due date of payment is extended from October 18 until Thursday, **December 15, 2022.**
6. **Bonds:** Any bond under the PRTD's name with an expiration date between September 19, 2022 and before Friday, November 18, 2022, is automatically extended until Friday, **November 18, 2022.**
7. **Claims of Notifications of Mathematical Errors and Notifications of Adjustments in Returns:** The terms for taxpayers to submit their claims for return mathematical errors and adjustments whose expiration date is between September 19, 2022, and before November 18, 2022, is extended until Friday, **November 18, 2022.**
8. **Notices of Collections, Bank Liens and Other Liens:** issuance and execution of Notices of Collections, Bank Liens and Other Liens are halted until Friday, **November 18, 2022.**
9. **Payment Plans:** Every taxpayer who has been economically affected by the impact of Hurricane Fiona, and who for this reason fails to comply with any term of their payment plan that they had in effect with the PRTD as of September 19, 2022 ("Payment Plan"), and that due to said non-compliance the Payment Plan ceased to be effective, will be allowed to enter into a new Payment Plan through SURI or by visiting the PRTD Collection Offices. In addition, under the New Payment Plan, the taxpayer may request to make the first installment no later than 45 days from the date on which he requested the payment plan.
10. **Internal Revenue Licenses administered by the PRTD:** Licenses with an expiration date between September 19, 2022 and before November 18, 2022, are extended until Friday, **November 18, 2022.**
11. **Sales and Use Tax Requirements on the Imports and Purchase of Taxable Items for Resale:** A Temporary Exemption Certificate is granted during the Temporary Exemption Period (**October 1 to October 31, 2022**), to import or acquire taxable items for resale free of the payment of SUT to any merchant who is a Reseller and has a valid Reseller Certificate.
12. **Individual Retirement Account ("IRA") and Pension Plan Distributions Due to a Disaster Declared by the Governor of Puerto Rico:** The period of time during which these Special Disaster Distributions will be allowed will begin on Thursday, **October 6 through December 31, 2022.** The amount of the distributions subject to the special provisions, pursuant to Internal Revenue Circular Letter No. 22-13, which is attached to this communication, are:
 - a. The first \$10,000 that are distributed within the term established by PRTD will be excluded from gross income and will not subject to any type of withholding at source.
 - b. Any distribution in excess of the first \$10,000 will be subject to a special tax of 10%, instead of any other tax imposed by the Puerto Rico Internal Revenue Code of 2011, as amended (the "Code"), including the Alternate Basic Tax, if the total of distributions made during the term established by the Secretary does not exceed \$100,000.
 - c. In the aggregate, the total distribution from a Retirement Plan or IRA will not exceed the limit of \$100,000.

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13. **Qualified Payment for Disaster Relief:** a gross income exclusion is granted for any Qualified Payment, the period during which Qualifying Payments will be allowed will be from **September 19 until December 31, 2022**. The PRTD will soon issue another publication detailing the maximum amounts of qualified payments that will be excluded from gross income. For these purposes, Qualified Payments, pursuant to Section 1031.01 (b)(16) of the Code are:
- i. expenses incurred to reimburse or pay reasonable and necessary expenses, to the individual or his family such as food, medicine, gas, lodging, medical expenses, child care expenses, dependent care expenses, electrical expenses, expenses to supply drinking water to the home and funeral expenses;
 - ii. expenses incurred to reimburse or pay reasonable and necessary expenses, incurred for the repair or rehabilitation of a principal residence or repair or replacement of the tangible property;
 - iii. payments made directly to the individual as cash assistance to cover costs of any damage and loss suffered by said individual as a consequence of a Disaster Declared by the Governor of Puerto Rico; or
 - iv. payments made by the federal government, the Government of Puerto Rico or any Municipality, or Agency or instrumentality thereof, in relation to a Disaster Declared by the Governor of Puerto Rico.
14. **Loans to Employees or Independent Contractors:** a gross income exclusion is granted for interest-free loans granted by employers to their employees or independent contractors to cover emergency expenses. Total amount of the loan or loans granted during said period can't exceed \$20,000, per employee or independent contractors. Loans must be granted from **September 19 until December 31, 2022**.
15. **Administrative Terms of Procedures before the PRTD that are not Provided through SURI:** The terms for various administrative procedures before the PRTD will be extended until Friday, **November 18, 2022** (e.g. Rulings, Debt Administrative Review Letters, Tax Year Change Request, Change of Accounting Method Request).

If you need our assistance to determine qualification, or if you have questions on any of the items above, do not hesitate to contact one of our staff.

Kind Regards,