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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**TAX ALERT 2021-03**

**January 27, 2021**

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## A PUBLICATION FROM THE TAX DIVISION

### New Changes in Annual Informative Returns for Year 2020



On November 12, 2020, the Puerto Rico Treasury Department ("Treasury") issued Internal Revenue Informative Bulletin No. 20-20 ("BI RI 20-20") which informed about the publication of Withholding Statements (W-2s) and Informative Returns (480 Forms) and the most significant changes made to said forms for the year 2020.

#### Electronic Filing

The filing of all W-2s and 480 Forms must be made only by electronic means through Treasury's Internal Revenue Unified System ("SURI", by its Spanish acronym). On the same date, the employer must also submit Form 499R-2/W-2PR together with Form W-3PR to the Social Security Administration. Once Form 499R-2/W-2PR or Informative Return is filed with Treasury, the employer or withholding agent must deliver two copies to the recipient within the next seven calendar days, counted from the due date established by the 2011 Puerto Rico Internal Revenue Code, as amended ("PRIRC")<sup>1</sup>. Such copy may be delivered by electronic means, as established in Internal Revenue Circular Letter No. 16-11 (issued on September 28, 2016).

#### Changes to W-2 Forms

- ⇒ **Others box (Option E)** - for private sector employers, this box was added to include whether the income reported includes payments for health services rendered by an employee that is considered a health professional eligible under Internal Revenue Circular Letter No. 20-1 (issued on May 26, 2020).
- ⇒ **Others box (Option F)** - the instructions are clarified for the classifications of services rendered by the employee that should be included in -this box.
- ⇒ **Boxes 16, 17 and 18** - an additional exemption code (Code J) is added to report exempt salaries for payments made to a difficult recruitment professional under Section 2022.03(a) of Act 60-2019, known as the Puerto Rico Incentives Code, as amended ("Incentives Code").

<sup>1</sup> Refer to attached table for filing deadlines.

Please contact your account service partner should you have any questions or comments or if you need additional information regarding these matters.

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**Changes to 480 Forms**  
(continued)

## Changes to 480 Forms

### Form 480.6A Informative Return Other Income Not Subject to Withholding

- ⇒ The following boxes were eliminated:
- *Commissions and Fees* and *Continuing Education for Professionals and Trades* - these will be reported on Form 480.6SP Services Rendered Individuals; and
  - *Electric -Power* and *Water and Sewage* - there is no requirement to report such payments as a condition to claim a deduction for electric power and sewage expenses on the income tax return.
- ⇒ The following boxes were added:
- Box 4 *Other Interests*; and
  - Box 9 *Payments for Virtual and Technological Tools and Other Subscriptions*.
- ⇒ Box 11 *Professional Associations Fees* was modified to include professional associate memberships.

### Form 480.6C Informative Return Payments to Nonresidents or for Services from Sources Outside of Puerto Rico and Form 480.30 -Nonresident Annual Return for Income Tax Withheld at Source

- ⇒ The following boxes were added for payments not subject to withholding:
- Box 14 *Payments for Services Rendered Outside of Puerto Rico*; and
  - Box 15 *Other Payments not Subject to Withholding*.

Payments for services rendered outside of Puerto Rico that are considered sourced in Puerto Rico under the provisions of Section 1035.01(a)(3)(A) of the PRIRC must be reported in Box 2 *Payments for Services Rendered by Independent Contractors* if the person that rendered the services is a **nonresident** of Puerto Rico, or in the corresponding box of Form 480.6SP Services Rendered, if the person who rendered the services is a **resident** of Puerto Rico.

### Form 480.6D Informative Return Exempt and Excluded Income and Exempt Income Subject to Alternate Basic Tax

- ⇒ The following boxes were added:
- Box 20 *Qualified Disaster Aid Payments under Section 1031.01(b)(16)* to report qualified payments under the provisions of the Internal Revenue Circular Letters No. 20-08 and No. 20-24 (issued on February 19, 2020, and April 17, 2020, respectively); and
  - Box 21 *Debt Cancellation and Subsidies Receipt Under Article 5(i) of Act 57-2020* to report income for debt cancellation and amounts received as federal subsidies or stimulus under the Coronavirus Aids, Relief and Economic Security Act ("CARES Act"), or under any other federal legislation to address COVID-19 or any other state subsidy or stimulus granted due to COVID-19 that is excluded from gross income for income tax purposes, including the alternate basic tax and alternative minimum tax, pursuant to Article 5(i) of Act 57-2020.

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**Changes to 480 Forms**  
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**Form 480.6SP Informative Return Services Rendered**

A box was added for the payor to check if the services were rendered by an eligible health professional under Internal Revenue Circular Letter No. 20-1 (issued on May 26, 2020).

**Form 480.7 Informative Return Individual Retirement Account**

⇒ The following boxes were added to indicate the following:

- If the informative return is reporting: (i) only contributions; (ii) only distributions; or (iii) both, contributions, and distributions; and
- If the person who received the payment, to whom the informative return was issued, is: (i) a resident of Puerto Rico, (ii) a Puerto Rico nonresident US citizen, or (iii) an alien nonresident of Puerto Rico.

**Form 480.7A Informative Return Mortgage Interests**

⇒ The name of Box 6 was modified to establish that the item to be reported on this line is the original loan amount.

⇒ The name of Box *Term of the Loan* was modified to clarify that such term should be reported in months.

**Form 480.7B Informative Return Educational Contribution Account**

A box was added to indicate if the informative return is reporting: (i) only contributions; (ii) only distributions; or (iii) both, contributions and distributions.

**Form 480.7C Informative Return Retirement Plans and Annuities**

A box was added to indicate if the informative return is reporting: (i) only contributions; (ii) only distributions; or (iii) both, contributions and distributions.

**Form 480.7E Optional Informative Return Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services**

⇒ The name of the form was modified to establish that it is optional. It should be used by any taxpayer that, optionally, wants to file the informative return indicated in Section 1063.16(a)(3) of the PRIRC to be able to deduct the expenses when determining net income subject to alternate basic tax, in the case of individuals, or to alternative minimum tax, in the case of corporations.

⇒ The name of Box 1 is modified to *Insurance Premiums* (except for contributions to health or accident plans). This box cannot be used to report the following payments:

- Health or accident insurance premiums; and
- Officers and directors insurance for the benefit of the employer (“keyman insurance”).

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- ⇒ The Box *Contributions to Health or Accident Plans* was eliminated since reporting such payments on an informative return is not required for them to be deductible on the income tax return<sup>2</sup>.
- ⇒ Box 5 *Bundles* is added to report payments for combined services ("bundles")<sup>3</sup>.
- ⇒ A box is added to inform the account number of the payor.

**Form 480.7F Annual Return of Payments Received for Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services**

This form should be used by every person engaged in providing the above-listed services in Puerto Rico or that receives payments for advertising or insurance premiums, to report the total amount of payments received during the year for such concepts.

This form is required in the case of commercial clients. However, in the case of residential clients, this form must be completed and filed upon request from the customer.

Several boxes were added under general information to indicate type of client (commercial or residential), account number, and certain information about the filer. Other boxes were modified to clarify types of payments, among other changes.

<sup>2</sup> Pursuant to the PRIRC Sections 1021.02(a)(2)(B)(vi) and 1022.04(a)(7)(A)(iv).

<sup>3</sup> PRIRC Section 1063.16(a).

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**FILING DEADLINES**

Form	Description	Due Date
499R-2/W-2PR	Withholding Statement	February 1, 2021
499 R-3	Reconciliation Statement of Income Tax Withheld	February 1, 2021
480.6E	Mail Order Sales	February 1, 2021
480.7A	Mortgage Interests	February 1, 2021
480.7D	Automobile Lease Payments	February 1, 2021
480.5	Summary of the Informative Returns	February 1, 2021, March 1, 2021, April 15, 2021, or November 30, 2021, as applicable
480.6A	Other Income Not Subject to Withholding	March 1, 2021
480.6B	Other Income Subject to Withholding	March 1, 2021
480.6B.1	Annual Reconciliation Statement of Other Income Subject to Withholding	March 1, 2021
480.6D	Exempt and Excluded Income and Exempt Income Subject to Alternate Basic Tax	March 1, 2021
480.6G	Transactions Made by Electronic Means	March 1, 2021
480.6SP	Services Rendered	March 1, 2021
480.6SP.2	Annual Reconciliation Statement of Services Rendered	March 1, 2021
480.7B.1	Annual Reconciliation Statement of Tax Withheld from IRAs and Educational Contribution Accounts	March 1, 2021
480.7C.1	Annual Reconciliation Statement of Tax Withheld from Retirement Plans and Annuities	March 1, 2021
480.7F	Annual Return of Payments Received for Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services	March 1, 2021
480.7	Individual Retirement Account	March 1, 2021, or November 30, 2021, as applicable
480.7B	Educational Contribution Account	March 1, 2021, or November 30, 2021, as applicable
480.7C	Retirement Plans and Annuities	March 1, 2021, or November 30, 2021, as applicable
480.6C	Payments to Nonresidents or for Services from Sources Outside of PR	April 15, 2021
480.30	Nonresident Annual Return for Income Tax Withheld at Source	April 15, 2021
480.7E	<b>Optional</b> Informative Return for Advertising, Insurance Premiums, Telecommunication, Internet Access and Cable or Satellite Television Services	No later than the due date for the income tax return, including extensions

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