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CARRY-BACK PROGRAM FOR COVID-19-RELATED OPERATING LOSSES



On May 10, 2021, the Puerto Rico Treasury Department ("Treasury") released Information Bulletin No. 21-04 ("IB 21-04") to provide guidance for taxpayers that want to make use of the carryback of COVID-19-related losses incurred in 2020 ("C-19 NOLs").

Pursuant to Act 57-2020, known as the *Complementary Law to Address the Effects of the COVID-19 Emergency on the Puerto Rican Economy*, taxpayers have a carry-back period of two years for losses incurred during the tax year beginning after December 31, 2019, resulting from the COVID-19 emergency. This provision is applicable to taxpayers with a volume of business of up to \$10 million for tax year 2020. The carry-back program is not available for *Large Taxpayers*, as defined in Section 1010.01(a)(35) of the Puerto Rico Internal Revenue Code of 2011, as amended (the "PRIRC"). The maximum amount to carryback to previous years will be \$200,000 and the maximum reimbursement for income taxes paid will be \$50,000. In addition, 100% of the loss incurred in 2020 may be carried forward to offset taxable income in lieu of the 90% limitation provided by the PRIRC.

IB 21-04, states that eligible taxpayers may apply to carry back qualifying C-19 NOLs electronically through SURI. Thus, taxpayers do not need to amend their tax returns for tax years 2018 and 2019 to claim the C-19 NOLs deduction.

Treasury will be issuing a circular letter establishing the terms and conditions of the C-19 NOLs program, as well as the application process that must be followed by taxpayers interested in taking advantage of it.

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

Tel. (787) 725-1600

Lucy Martínez

Partner

lmartinez@vgmmcpa.com

Idsa Ramos

Partner

iramos@vgmmcpa.com

Sofía Benítez Arraiza

Partner

sbenitez@vgmmcpa.com

Yahaira Feliciano Ramos

Partner

yfeliciano@vgmmcpa.com

Please contact us at (787) 725-1600 or at fsosa@vgmmcpa.com if you would like to subscribe or unsubscribe from these publications.

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