

## Puerto Rico Treasury Issues Revised Form 480.7(OE) and Changes Annual Filing Requirements of Employee Benefit Trusts

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### PRACTICE AREAS

- Employee Benefits

### An McV Employee Benefits Alert

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On March 8, 2016, the Puerto Rico Treasury Department (“PR Treasury”), issued Tax Policy Informative Bulletin No. 16-08 (“TP IB 16-08”) to announce that a new version of Form 480.7(OE), Informative Return for Income Tax Exempt Organizations (“New Form 480.7(OE)”) has been issued for taxable years 2015 and thereafter. No instructions have yet been issued for New Form 480.7(OE).

New Form 480.7(OE) requires the reporting of detailed information regarding the tax exempt organization’s mission, activities, operations and programs. Furthermore, it requires that tax exempt organizations respond to a questionnaire with respect to the composition of their board of directors, administration and operation of such organization, and compliance with internal policies, such as conflict of interest, whistleblowing, document retention, compensation, and others.

One of the most significant changes introduced by New Form 480.7(OE) is Schedule A Exempt Organization, Computation of Income Tax on Net Income (or loss) of Unrelated Business Income of the Exempt Activity, which requires the reporting of business income (loss) not related to the tax exempt activities of the organization for the payment of Puerto Rico income tax.

TP IB 16-08 provides that New Form 480.7(OE) must be exclusively filed by tax exempt organizations under Section 1101.01 of the Puerto Rico Internal Revenue Code of 2011, as amended (“PR Code”), as provided under Section 1061.05 of the PR Code. As a result, PR Treasury eliminates trusts forming part of Puerto Rico qualified retirement plans (“Employee Benefit Trusts”) as one of the tax exempt entities that are required to file New Form 480.7(OE) for taxable years 2015 and thereafter. In TP IB 16-08, however, PR Treasury does not explain how Employee Benefit Trusts will comply with their annual reporting requirements under Section 1061.10 of the PR Code in lieu of original Form 480.7(OE).



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Guidance or clarification from PR Treasury is expected to be issued in the forthcoming months regarding the form and manner in which Employee Benefit Trusts must comply with their annual filing requirements under the PR Code for taxable years 2015 and thereafter.

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