

PUERTO RICO SUPPLEMENT
For Use in Preparing Tax Year 2002 Returns

VOLUNTEER ASSISTOR'S GUIDE



FOR USE IN IRS VOLUNTEER PROGRAMS

VITA Volunteer Income Tax Assistance

TCE Tax Counseling for the Elderly

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PART I ***PUERTO RICO VITA SUPPLEMENT***

INTRODUCTION

Part I has been developed to be supplemented by the regular VITA Coursebook. It is recommended that VITA Volunteers who do not have prior tax experience complete all the chapters in the VITA Coursebook before completing this Supplement. Although it is not recommended, those volunteers that have prior experience may complete this text without reference to the VITA Coursebook. However, all volunteers must take the VITA test and be certified in the basic section and either the wage earner section or the pension earner section.

FILING STATUS AND EXEMPTIONS

LESSON 1

Filing status and exemptions are the same as discussed in the VITA course book. However, keep in mind that even though one spouse may exclude his/her income on Form 1040, they may still file a joint return and claim an exemption for their spouse. The filing status, married filing jointly, is not changed because one spouse has exempt income.

Example 1

Alda and Raul are married U.S. citizens and both are bonafide residents of Puerto Rico. Alda works for the federal government and earns \$34,489. Raul works for a private firm and earns \$25,250. Although Raul's income of \$25,250 is excluded from the Form 1040, they may file a joint return and claim personal exemptions for both of them.

Exercise 1-1

Modesto and Laura are both under 65, U.S. citizens and bonafide residents of Puerto Rico. They are married. Modesto works for a small corporation in Hato Rey and Laura is a federal employee.

- a. May they file jointly?
- b. How many personal exemptions can they claim?

Answer _____

STUDENT NOTES



SOURCE RULES FOR INCOME

INTRODUCTION

When we speak of source of income, we are referring to its origin—either U.S., P.R., or foreign.

U.S. citizens and residents are taxed by the United States on their worldwide income, no matter where it originates. What then is the importance of the source of income? For those taxpayers who qualify for the exemption of income earned in Puerto Rico, the source of income is very important since only income from Puerto Rican sources may be exempt from U.S. tax. It is also important for those taxpayers who wish to claim a foreign tax credit; since the credit must be calculated on the basis of taxable foreign or Puerto Rican income. Refer to Exhibit 1 for help in determining the source of income.

The source of income is very important to the nonresident alien because he is taxed by the U.S. only on U.S. source income. However, special rules apply if they are nonresident alien, bonafide residents of P.R. In this lesson, we will concentrate on the U.S. citizen. Assume that any reference to a taxpayer or individual means a U.S. citizen.

SALARIES, WAGES, AND OTHER COMPENSATION

Wages, salaries, tips and other compensation as well as the amount of net earnings from self employment are earned income. The place where the services are performed is most important in determining source of earned income. Thus, if labor or personal services are performed in Puerto Rico, the source is Puerto Rican.

Example 1

Mr. Stan Jones, a U.S. citizen residing in P.R., is a consultant for a U.S. firm and works in their P.R. branch office. Mr. Jones's income is P.R. source since he is performing the services in Puerto Rico.

Example 2

Juan and Maria Hernandez live and work in San Juan. Their income is as follows:

- Wages of \$39,482 earned in Puerto Rico
- Wages of \$5,000 earned while on temporary assignment in New York

- Wages of \$1,000 earned while on business trip to Caracas

The source of income would be broken down as follows:

- \$39,482 Puerto Rico source
- \$5,000 U.S. source
- \$1,000 foreign source

Exercise 2-1

Juan Mariposa, a resident of P.R., U.S. citizen and an employee of a P.R. corporation, is sent to the U.S. for one month on temporary assignment. His employer continues to pay his regular salary and the checks are deposited in his P.R. bank. Does this taxpayer have any U.S. source income? Explain _____

OTHER INCOME

Interest

Interest from the United States, and interest from bonds, notes, or other interest bearing obligations of residents, corporations, or otherwise, will be treated as income from sources within the United States. It is the residence of the payer that determines the source of interest.

Example 3

Richard Rockero, a resident of Puerto Rico, receives interest from a personal loan made to France Guia, a U.S. resident and the payer. Since Mr. Guia is a resident of the U.S. the income is U.S. source.

Exercise 2-2

Mrs. Beatriz Pinzon lives and works in San German, Puerto Rico. All of her income is earned there, but she does deposit some of it in her bank in Boston, Massachusetts, where it earns interest. What is the source of her interest income? P.R. or U.S. source?

Dividends

To determine the source of dividends you need to know the location of the payer. Dividends from domestic corporations are U.S. source. Dividends from foreign corporations are foreign source.

Rent and Natural Resource Royalties

The location of rental property determines the source of the income. Rentals from property located in Puerto Rico are P.R. source. The same rule applies to natural resource royalties (oil, coal, etc.) because real property is involved.

Example 4

Bo Nanza owns rental property on Condado Beach in Puerto Rico. The rents from the property are deposited in his bank account in Chicago. The rental income is P.R. source.

Example 5

A U.S. citizen who lives in P.R. receives royalties from Canada Natural Gas Unlimited. The property is located in Canada and therefore the royalties are foreign sourced.

Other Royalties

Royalties for use of or for the privilege of using such instruments as patents, copyrights, secret processes and formulas, goodwill, trademarks, franchises, and other like property, are P.R. source income, if the property is used in Puerto Rico. For these types of royalties, the source is determined by where the property is used.

Example 6

A resident of P.R., and U.S. citizen, has a patent for a manufacturing process used in a factory in the U.S. The royalties from this patent are U.S. sourced.

Recall that the source of rents and natural resource royalties is where the property is located (where the building, the oil well, or the coal mine is physically situated). The source of royalties from patents, copyrights, etc., is where the property is used.

SALE OR EXCHANGE OF PERSONAL PROPERTY

The factor determining source of income on sale of noninventory property is the residence of the seller. U.S. citizens will be treated as residents of the U.S., unless an income tax equal to an effective rate of at least 10% of the income derived from the sale is actually paid to a foreign country. However, this 10% tax payment requirement does not apply to a person who is a bona fide resident of Puerto Rico for the entire taxable year.

Example 7

Mrs. Bonita Bombon, a U.S. citizen and bonafide resident of Puerto Rico, sold stocks for 100% profit over the original cost. The sale of the stocks is a sale of personal property. Since Mrs. Bombon was a bonafide resident of Puerto Rico for the entire taxable year, the 10% tax payment requirement does not apply. The gain is Puerto Rico source income, with the residence of the seller being the determining factor.

Note

Inventory Property The rules for determining the source of income from the sale of inventory property have not changed. The source of income remains the place where title passes.

Depreciable Property In general, gain (not in excess of the depreciation adjustment) from sale of depreciable personal property shall be allocated between sources in the U.S. and sources outside the U.S.

SUMMARY EXERCISE

- a. Carol A., a bonafide resident of Puerto Rico, owns rental property in the U.S. She deposits \$1,000 (the rent) each month in her account with Banco Santurce. What is the source of her income?
- b. Don and Petra are married, filing jointly. They are bonafide residents of Puerto Rico. Their income consists of:

\$10,000 Wages from the local grocery
\$2,000 Interest paid by Banco Popular
\$1,000 Interest paid by the Bowery Bank in New York
\$5,000 Rental income from property in Miami

List the source of each type of income.

- c. Sofia lives in the U.S. but has an interest bearing account with Banco de Hato Rey. Her wages (\$20,000) are from her job in Chicago. What is the source of her income?

Exhibit 1***SOURCE RULES***

<i>Item of Income</i>	<i>Factor Determining Source</i>
Salaries and other compensation	Where the service is performed
Interest	Residence of the payer
Dividends	Location of payer
Rents	Location of property
Royalties: Natural resources Patents, copyrights, etc.	Location of property Where the property is used
Sale of stock or other nondepreciable personal property	Residence of seller. The gain of a U.S. citizen outside the United States is U.S. source unless a foreign income tax of at least 10% is actually paid to a foreign country. However, this 10% tax payment requirement does not apply to a person that is a bona fide resident of Puerto Rico for the entire taxable year.
Sale of Real Property	Location of Property

STUDENT NOTES



STANDARD DEDUCTION TAXPAYERS WHO DO NOT ITEMIZE

LESSON 3

Allocation of The Standard Deduction When the Taxpayer Has Exempt P.R. Source Income.

Note: If the taxpayer does not have Puerto Rico exempt income, the following allocation is not necessary. In this case, the taxpayer would take the full standard deduction.

For those taxpayers who do not itemize, the standard deduction must be apportioned on the ratio of gross income subject to federal tax over gross income from all sources. This adjustment must be made prior to entering the standard deduction on line 38 of Form 1040.

<i>If your filing status is:</i>	<i>Standard Deduction</i>
Single	\$4,700
Married filing jointly, or Qualifying Widow(er)	\$7,850
Married filing separately	\$3,925
Head of Household	\$6,900

If taxpayer is 65 or over and/or blind they are allowed to use the basic standard deduction for all filers for 2002 plus an additional standard deduction.

Use the following chart to compute the standard deduction for taxpayers 65 or over and/or blind.

<i>If your Filing Status is:</i>	<i>and the number on Form 1040, line 37a, is:</i>	<i>then the standard deduction is:</i>
Single	1	\$ 5,850
	2	\$ 7,000
Married filing jointly, or Qualifying Widow(er)	1	\$ 8,750
	2	\$ 9,650
	3	\$10,550
	4	\$11,450
Married filing separately	1	\$ 4,825
	2	\$ 5,725
	3	\$ 6,625
	4	\$ 7,525
Head of Household	1	\$ 8,050
	2	\$ 9,200

To find the part of the standard deduction allowable, multiply the standard deduction by a fraction; the numerator is your gross income subject to federal tax, and the denominator is the total gross income from all sources.

Exhibit 3-1

**Worksheet for Puerto Rico Filers with Exempt Income
under Section 933 Who Do Not Itemize Deductions**

1. Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box
- 1, enter \$4,700
 - 2, or 5, enter \$7,850
 - 3, enter \$3,925
 - 4, enter \$6,900

CAUTION: If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions.

or

If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions.

2. Allowable portion of STANDARD DEDUCTION:
- a. Gross income subject to U.S. tax
 - b. Total gross income from all sources (including exempt P.R. income)
 - c. Divide line 2a by line 2b
 - d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040 line 38 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION)
- Write the following above line 38 Form 1040 or line 24 of Form 1040A:
 "Standard Deduction modified due to exempt income under section 933."

Example

Juan and Judith (under 65), who are bonafide residents of Puerto Rico for the entire taxable year, are filing a joint return. Juan is a federal employee and during 2002 earned \$40,000; Judith had income of \$20,000 from P.R. sources not subject to U.S. tax. They are not itemizing their deductions.

They compute their allowable portion of standard deduction in the following manner:

$$\frac{\$40,000}{60,000} \times 7,850 = 5,260$$

Exhibit 3-2 illustrates the completion of Form 1040, Line 38



Exhibit 3-2 *Standard Deduction modified due to exempt income under Section 933.*

Form 1040 (2002)		Page 2		
Tax and Credits Standard Deduction for— <ul style="list-style-type: none"> • People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 31. • All others: Single, \$4,700 	36	Amount from line 35 (adjusted gross income)	36	40,000
	37a	Check if: <input type="checkbox"/> You were 65 or older, <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older, <input type="checkbox"/> Blind. Add the number of boxes checked above and enter the total here ▶ 37a		
	b	If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 31 and check here ▶ 37b <input type="checkbox"/>		
	38	Itemized deductions (from Schedule A) or your standard deduction (see left margin)		*5,260
	39	Subtract line 38 from line 36		
	40	If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d. If line 36 is over \$103,000, see the worksheet on page 32		
	41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-		
	42	Tax (see page 33). Check if any tax is from a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972		
	43	Alternative minimum tax (see page 34). Attach Form 6251		
	44	Add lines 42 and 43 ▶ 44		

Exercises 3-1.

- a.** Martin (SSN 000-00-5678) and Cruz (000-00-1234) Paraiso are bonafide residents of Puerto Rico for the whole year. They are married filing a joint return and have two sons (Leo and Sam). Martin earned \$31,340 in wages from an accounting firm located in P.R. and Cruz earned \$42,389 in wages from the U.S. government. They have a joint bank account in Puerto Rico (Banco Isla) that earns \$2,000 interest. Both Martin and Cruz are under 65 and not blind. What is their standard deduction?

- b.** Monse is a single taxpayer residing in Puerto Rico as a bonafide resident and is 66 years of age. She has U.S. government wages of \$35,789. She says she has no other income. Figure her standard deduction.

- c.** Tino, a bonafide resident of Puerto Rico is single and retired from the Commonwealth of Puerto Rico but under age 65. He received \$19,250 from his Puerto Rico government pension. He also received \$10,000 of interest from his bank account in the U.S. Figure Tino's standard deduction.

- d.** Carmen, age 68, is a single retired resident of Puerto Rico. She receives a U.S. civil service pension and her records indicate she has recovered all her cost in the pension. Her civil service job was in Puerto Rico. Figure Carmen's standard deduction.

HINT: Check lesson on Source of Income

STUDENT NOTES



ITEMIZED DEDUCTIONS

INTRODUCTION

Deductions that apply to exempt Puerto Rico income are not deductible on a federal income tax return.

Deductions that do not specifically apply to a particular type of income must be apportioned between gross income subject to U.S. tax and total gross income from all sources.

Examples of deductions that do not specifically apply to a particular type of income are alimony payments and certain itemized deductions (such as medical expenses, charitable contributions, real estate taxes and mortgage interest on your personal residence.)

Allocation of Itemized Deductions to U.S. Income

When a taxpayer has exempt P.R. source income and is itemizing deductions, the taxpayer must apportion each deduction that does not apply to any specific type of income based on the ratio of gross income subject to U.S. tax to gross income from all sources.

Formula

Gross Income Subject to U.S. Tax

Gross Income From All Sources (including P.R. exempt income)

Example 1

Juan and Judith are filing a joint return. They are bonafide residents of Puerto Rico. Juan works for the federal government and Judith for Banco de Santurce. During 2002, Juan earned \$39,780 as a federal employee and Judith made \$19,520 from her job. They have itemized deductions of \$16,223 that do not apply to any specific type of income (medical & dental \$3,457, real estate taxes \$1,200, mortgage interest on their home \$9,480, and charitable contributions cash \$2,086). Each deduction is apportioned as follows:

The numerator of the fraction is the gross income reported to the U.S. and the denominator is the total gross income from all sources (including Puerto Rican exempt income).

Medical Expenses (doctor's fees)

$$\frac{\$39,780}{59,300} \times \$3,457 = \$2,316 \text{ (enter on line 1 of Schedule A)}$$

Real Estate Taxes

$$\frac{\$39,780}{59,300} \times \$1,200 = \$804 \text{ (enter on line 6 of Schedule A)}$$

Home Mortgage Interest

$$\frac{\$39,780}{59,300} \times \$9,480 = \$6,352 \text{ (enter on line 10 of Schedule A)}$$

Charitable Contributions (cash)

$$\frac{\$39,780}{59,300} \times \$2,086 = \$1,398 \text{ (enter on line 15 of Schedule A)}$$

NOTE: Enter on Schedule A only the allowable portion of each deduction.

Exhibit 4-1 contains Juan and Judith's Schedule A.

Exhibit 4-2 is page 2 of their Form 1040.

<p>SCHEDULES A&B (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service (99)</p>	<p>Schedule A—Itemized Deductions</p> <p>(Schedule B is on back)</p> <p>▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).</p>	<p>OMB No. 1545-0074</p> <p>2002 Attachment Sequence No. 07</p>	
<p>Name(s) shown on Form 1040 Juan & Judith Camino</p>		<p>Your social security number 000 : 00 : 4321</p>	
<p>Medical and Dental Expenses</p> <p>Caution. Do not include expenses reimbursed or paid by others.</p>			
1	Medical and dental expenses (see page A-2)	2,316	00
2	Enter amount from Form 1040, line 36 2 39,780		00
3	Multiply line 2 above by 7.5% (.075)	2,984	00
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		0 00
Taxes You Paid			
5	State and local income taxes		
6	Real estate taxes (see page A-2)	804	00
7	Personal property taxes		
8	Other taxes. List type and amount ▶		
9	Add lines 5 through 8		*804 00
Interest You Paid			
10	Home mortgage interest and points reported to you on Form 1098	6,352	00
11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶		
12	Points not reported to you on Form 1098. See page A-3 for special rules		
13	Investment interest. Attach Form 4952 if required. (See page A-3.)		
14	Add lines 10 through 13		*6,352 00
Gifts to Charity			
15	Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	1,398	00
16	Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500		
17	Carryover from prior year		
18	Add lines 15 through 17		*1,398 00
Casualty and Theft Losses			
19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)		
Job Expenses and Most Other Miscellaneous Deductions			
20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶		
21	Tax preparation fees		
22	Other expenses—investment, safe deposit box, etc. List type and amount ▶		
23	Add lines 20 through 22		
24	Enter amount from Form 1040, line 36 24		
25	Multiply line 24 above by 2% (.02)		
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-		
Other Miscellaneous Deductions			
27	Other—from list on page A-6. List type and amount ▶		
Total Itemized Deductions			
28	Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)?		
	<input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38.		8,554 00
	<input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2002

Exhibit 4-2 * "Itemized Ded. modified due to exempt income under Section 933"

Form 1040 (2002)		Page 2			
<p>Tax and Credits</p> <p>Standard Deduction for—</p> <ul style="list-style-type: none"> • People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 31. • All others: <ul style="list-style-type: none"> Single, \$4,700 Head of 	36	Amount from line 35 (adjusted gross income)	36	39,780	00
	37a	Check if: <input type="checkbox"/> You were 65 or older, <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older, <input type="checkbox"/> Blind. Add the number of boxes checked above and enter the total here ▶ 37a			
	b	If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 31 and check here ▶ 37b <input type="checkbox"/>			
	38	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	38	8,554	00
	39	Subtract line 38 from line 36	39	31,226	00
	40	If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d. If line 36 is over \$103,000, see the worksheet on page 32	40	6,000	00
	41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-	41	25,226	00
	42	Tax (see page 33). Check if any tax is from a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	42		
	43	Alternative minimum tax (see page 34). Attach Form 6251	43		
	44	Add lines 42 and 43 ▶	44		

Example 2

Mr. and Mrs. Hernandez are bonafide residents of Puerto Rico for the entire tax year of 2002. Mr. Hernandez earns \$42,389 with the federal government and Mrs. Hernandez earns \$14,250 working in a beauty salon part-time. They are filing a joint return. They itemize their deductions and list their expenses as follows:

Medical and Dental Expenses (doctor's fees)	\$4,958
Home Mortgage Interest Expenses	8,531
Real Estate Taxes	987
Charitable Contributions	2,086
Safe Deposit Box	25

They prepare Schedule A including only the allowable portion of each deduction. The computation is completed and the allowable portion is entered on the corresponding line.

Medical and Dental Expenses

$$\frac{\$42,389}{56,639} \times \$4,958 = \$3,719 \text{ (enter on line 1 of Schedule A)}$$

Real Estate Taxes

$$\frac{\$42,389}{56,639} \times \$987 = \$740 \text{ (enter on line 6 of Schedule A)}$$

Home Mortgage Interest

$$\frac{\$42,389}{56,639} \times \$8,531 = \$6,398 \text{ (enter on line 10 of Schedule A)}$$

Charitable Contributions (cash)

$$\frac{\$42,389}{56,639} \times \$2,086 = \$1,565 \text{ (enter on line 15 of Schedule A)}$$

Remember that in this example the item of "Safe Deposit Box fees" would not need to be reduced by the allocation; job expenses and most other miscellaneous deductions are not subject to allocation.

See Exhibit 4-3 for their completed Schedule A.

Exhibit 4-3 * "Itemized Ded. modified due to exempt income under Section 933"

<p>SCHEDULES A&B (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service (99)</p> <p>Name(s) shown on Form 1040</p>	<p>Schedule A—Itemized Deductions (Schedule B is on back)</p> <p>► Attach to Form 1040. ► See Instructions for Schedules A and B (Form 1040).</p>	<p>OMB No. 1545-0074</p> <p>2002 Attachment Sequence No. 07</p>
<p>Juan and Beatrix Hernandez</p>		<p>Your social security number 000: 00 : 8546</p>
<p>Medical and Dental Expenses</p> <p>Caution. Do not include expenses reimbursed or paid by others.</p>	<p>1 Medical and dental expenses (see page A-2)</p> <p>2 Enter amount from Form 1040, line 36 | 2 | 42,389 | 00</p> <p>3 Multiply line 2 above by 7.5% (.075)</p> <p>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-</p>	<p>3,719 00</p> <p>3,179 00</p> <p>*540 00</p>
<p>Taxes You Paid</p> <p>(See page A-2.)</p>	<p>5 State and local income taxes</p> <p>6 Real estate taxes (see page A-2)</p> <p>7 Personal property taxes</p> <p>8 Other taxes. List type and amount ►</p> <p>9 Add lines 5 through 8</p>	<p>740 00</p> <p>*740 00</p>
<p>Interest You Paid</p> <p>(See page A-3.)</p> <p>Note. Personal interest is not deductible.</p>	<p>10 Home mortgage interest and points reported to you on Form 1098</p> <p>11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ►</p> <p>12 Points not reported to you on Form 1098. See page A-3 for special rules</p> <p>13 Investment interest. Attach Form 4952 if required. (See page A-3.)</p> <p>14 Add lines 10 through 13</p>	<p>6,398 00</p> <p>*6,398 00</p>
<p>Gifts to Charity</p> <p>If you made a gift and got a benefit for it, see page A-4.</p>	<p>15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4</p> <p>16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500</p> <p>17 Carryover from prior year</p> <p>18 Add lines 15 through 17</p>	<p>1,565 00</p> <p>*1,565 00</p>
<p>Casualty and Theft Losses</p>	<p>19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.)</p>	<p>19</p>
<p>Job Expenses and Most Other Miscellaneous Deductions</p> <p>(See page A-5 for expenses to deduct here.)</p>	<p>20 Unreimbursed employee expenses—job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See page A-5.) ►</p> <p>21 Tax preparation fees</p> <p>22 Other expenses—investment, safe deposit box, etc. List type and amount ► Safe Deposit Box Fee</p> <p>23 Add lines 20 through 22</p> <p>24 Enter amount from Form 1040, line 36 | 24 | 42,389 | 00</p> <p>25 Multiply line 24 above by 2% (.02)</p> <p>26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-</p>	<p>25 00</p> <p>848 00</p> <p>0 00</p>
<p>Other Miscellaneous Deductions</p>	<p>27 Other—from list on page A-6. List type and amount ►</p>	<p>27</p>
<p>Total Itemized Deductions</p>	<p>28 Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)?</p> <p><input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. } ►</p> <p><input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter. }</p>	<p>*9,243 00</p>
<p>For Paperwork Reduction Act Notice, see Form 1040 instructions.</p>		<p>Cat. No. 11330X Schedule A (Form 1040) 2002</p>

Exercise 4-1

Elizabeth Gonzalez, a federal employee, living in Puerto Rico, requests your assistance in preparing her 2002 Federal Tax Return. She tells you that she and her husband, Matthew, are married, filing a joint return and living together. Elizabeth is age 48 and Matthew is age 49. Matthew manages a local restaurant in Old San Juan. He earned \$22,534. Elizabeth works for the U.S. Department of Agriculture and earned \$52,981.

Elizabeth tells you she doesn't think she has enough to itemize, but she gives you the following list. She is not sure which items are allowable.

Real estate taxes	\$2,200.00
Driver's license renewal	\$ 30.00
Medical insurance premium	\$1,989.00
Doctor's fees	\$1,875.00
Dental expenses	\$ 685.00
Veterinarian expenses	\$ 300.00
Safety deposit box rent to store stock certificate	\$ 35.00
Interest Home Mortgage	\$9,981.00

Should they use the standard deduction or itemized deductions?

What is the entry on Form 1040, Line 38?

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

2002

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

(Schedule B is on back)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A and B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	1	Caution. Do not include expenses reimbursed or paid by others. Medical and dental expenses (see page A-2)				
	2	Enter amount from Form 1040, line 36	2			
	3	Multiply line 2 above by 7.5% (.075)	3			
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				4
Taxes You Paid (See page A-2.)	5	State and local income taxes	5			
	6	Real estate taxes (see page A-2)	6			
	7	Personal property taxes	7			
	8	Other taxes. List type and amount ▶	8			
	9	Add lines 5 through 8				9
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10			
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶	11			
	12	Points not reported to you on Form 1098. See page A-3 for special rules	12			
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13			
Note. Personal interest is not deductible.	14	Add lines 10 through 13				14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	15			
	16	Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500	16			
	17	Carryover from prior year	17			
	18	Add lines 15 through 17				18
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)				19
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20			
	21	Tax preparation fees	21			
	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶	22			
	23	Add lines 20 through 22	23			
	24	Enter amount from Form 1040, line 36	24			
	25	Multiply line 24 above by 2% (.02)	25			
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-				26	
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ▶				27
Total Itemized Deductions	28	Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.				28

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2002

Exercise 4-2

Guillermo and Esmeralda Goytisoló are bonafide residents of Puerto Rico and file a joint return. They have 2 children, Carlos and Anita. Guillermo works for the U.S. government and earns \$49,965. Esmeralda does not work but receives \$2,452 interest from her Banco Popular savings account. They have the following allowable itemized deductions:

Dental expenses	\$ 750
Real Estate taxes	\$ 875
Interest on home mortgage	\$9,200
Charitable Contributions	\$1,821

They are not familiar with the allocation and ask you to assist them with this and the preparation of their return.

Complete their Schedule A. What are their total itemized deductions on Schedule A, Line 28?

SCHEDULES A&B
(Form 1040)

Schedule A—Itemized Deductions

OMB No. 1545-0074

2002

Attachment
Sequence No. **07**

Department of the Treasury
Internal Revenue Service (99)

(Schedule B is on back)

▶ **Attach to Form 1040.** ▶ **See Instructions for Schedules A and B (Form 1040).**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	1	Caution. Do not include expenses reimbursed or paid by others. Medical and dental expenses (see page A-2)				
	2	Enter amount from Form 1040, line 36	2			
	3	Multiply line 2 above by 7.5% (.075)	3			
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				4
Taxes You Paid (See page A-2.)	5	State and local income taxes	5			
	6	Real estate taxes (see page A-2)	6			
	7	Personal property taxes	7			
	8	Other taxes. List type and amount ▶	8			
	9	Add lines 5 through 8				9
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10			
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶				
	12	Points not reported to you on Form 1098. See page A-3 for special rules	12			
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13			
Note. Personal interest is not deductible.	14	Add lines 10 through 13				14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	15			
	16	Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500	16			
	17	Carryover from prior year	17			
18	Add lines 15 through 17				18	
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)				19
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20			
	21	Tax preparation fees	21			
	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶	22			
	23	Add lines 20 through 22	23			
	24	Enter amount from Form 1040, line 36	24			
	25	Multiply line 24 above by 2% (.02)	25			
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-				26	
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ▶				27
Total Itemized Deductions	28	Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)? <input type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.				28

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2002

WHO MUST FILE

A taxpayer, who is a bonafide resident of Puerto Rico for the whole taxable year, need not report any income on the Form 1040 from Puerto Rican sources; unless he/she works for the U.S. government. To qualify for this exemption of income the taxpayer must be a resident of Puerto Rico for the entire tax year (January 1–December 31).

Sec. 933. Income from Sources Within Puerto Rico

The following items shall not be included in gross income and shall be exempt from taxation under this subtitle:

(1) **RESIDENT OF PUERTO RICO FOR ENTIRE TAXABLE YEAR**—In the case of an individual who is a bonafide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income, any deductions (other than the deduction under section 151, relating to personal exemptions), or any credit properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

(2) **TAXABLE YEAR OF CHANGE OF RESIDENCE FROM PUERTO RICO**—In the case of an individual citizen of the United States who has been a bonafide resident of Puerto Rico for a period of at least 2 years before the date on which he changes his residence from Puerto Rico, income derived from sources therein (except amounts received for services performed as an employee of the United States or any agency thereof) which is attributable to that part of such period of Puerto Rican residence before such date; but such individual shall not be allowed as a deduction from his gross income, any deductions (other than the deduction for personal exemptions under section 151), or any credit, properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

If a taxpayer has exempt P.R. source income in addition to his income subject to U.S. tax, an allocation of standard deduction must be made before applying the filing requirement on the U.S. return. If the taxpayer has only P.R. source exempt income, he/she is not required to file.

Example 1

John Garcy, a bonafide resident of P.R. for the taxable year, worked for Tienda New York and received a salary of \$27,281. That was his only income. John is not required to file a U.S. return (Form 1040). All of his income is excludable under IRC 933.

It is important to remember that the only income that is exempt is Puerto Rican source income (except amounts received as an employee of the U.S.). If a bonafide resident of P.R. has income from U.S. or foreign sources, he must report this income on a U.S. tax return. An allocation of the standard deduction will be needed when, in addition to his U.S. income he has exempt P.R. source income.

Exhibit 5-1

Who Must File Worksheet for Bona Fide Residents of P.R. with exempt income (under section 993)	
1. Enter STANDARD DEDUCTION If your filing status is	
Single	under 65 enter \$4,700 65 or older enter \$5,850
Married filing jointly	both under 65 enter \$7,850 one 65 or older enter \$8,750 both 65 or older enter \$9,650
Head of household	under 65 enter \$6,900 65 or older enter \$8,050
Qualifying widow(er) with dependent child	under 65 enter \$7,850 65 or older enter \$8,750
Married filing separately	any age enter \$0
CAUTION: If someone can claim you as a dependent, enter amount from the Standard Deduction Worksheet for Dependents in instructions for Form 1040 or amount from chart in instructions for Form 1040A.	
2. Allowable portion of STANDARD DEDUCTION	
a.	Gross income subject to U.S. tax (include taxable social security benefits)
b.	Total gross income from all sources (including exempt P.R. Income)
c.	Divide line 2a by line 2b
d.	Multiply STANDARD DEDUCTION (line 1) by line 2c
3. Enter:	
	married filing jointly \$6,000
	if someone can claim you as a dependent enter "0"
	all others enter \$3,000
4. Add lines 2d and 3	
You must file a return if your gross income subject to U.S. tax (line 2a) is equal to or more than line 4.	

Example 2

Jose Sanchez, a single bonafide resident of P.R. for the whole taxable year, works for Banco Popular and received a salary of \$28,500. He also has a bank account in Miami that pays him interest income of \$4,100. The \$4,100 of interest income is reportable on his U.S. return. To determine whether Jose has a filing requirement, he must determine the part of the standard deduction allowed. To find the part of the standard deduction that applies to his Puerto Rican income, multiply the standard deduction by a fraction. The numerator of the fraction is his gross income from United States sources, and the denominator is his gross income from all sources. This adjustment must be made before he can determine if he must file a U.S. tax return, because the minimum income level at which he must file a return is based, in part on the standard deduction for this particular filing status. This special computation is necessary only if the taxpayer has both exempt and nonexempt income and is under the full filing requirement amount.

Jose's filing requirement is \$3,611. Since his income is above the filing requirement, Jose must file Form 1040.

$$\frac{\$4,100}{32,600} \times \$4,700 = \$611 \text{ (allowable Standard Deduction)}$$

3,000 (Personal Exemption)
+611 (allowable Standard Deduction)
3,611 (Filing Requirement Amount)

Employees of the U.S. or any Agency Thereof

Amounts received by an employee of the U.S. government who is a bonafide resident of Puerto Rico for the entire tax year are not exempt from U.S. tax. This is the only exception to the exemption under IRC 933.

Example 3

Maria Moreno has been a bonafide resident of Puerto Rico for her entire life. She started working for the federal government on January 3, 2002. She cannot exempt this income from taxation on her U.S. tax return (Form 1040).

You may encounter situations where a U.S. employee has both U.S. government income and other Puerto Rican income. The employee may exempt Puerto Rican income from his/her U.S. tax return but not the amount received from a U.S. government agency.

Example 4

Fred, a bonafide resident of Puerto Rico, earns \$38,280 in 2002 for work with the federal government. He also has interest income from the Bank of Santurce of \$3,000. Fred reports only the \$38,280 government wage on his U.S. return.

Example 5

Rafael and Gloria are filing a joint U.S. income tax return Form 1040. Rafael works for the Puerto Rican government and earns \$26,200. Gloria works for the U.S. government and earns \$38,780. They will only report the \$38,780 U.S. government wages on their U.S. return.

Taxable Year of Change of Residence from Puerto Rico

If an individual citizen of the U.S. has been a bonafide resident of Puerto Rico for a period of at least two years before the date on which he changes his residence from Puerto Rico, income derived from sources in Puerto Rico (unless the amount is received as an employee of the U.S.) is exempt from U.S. tax in the year he changes his residence.

Example 6

Pedro who has always been a bonafide resident of Puerto Rico moves to the U.S. in the middle of 2002. During the part of the year that he was a resident of P.R., he received income from Puerto Rican sources of \$21,549. After moving to the U.S. he received income of \$12,385. Pedro will report \$12,385 on his income tax return (Form 1040).

A taxpayer who lives temporarily in Puerto Rico but is not a resident for the entire tax year must report all income on the U.S. return, Form 1040. He/she can claim a foreign tax credit which will be discussed in a later chapter.

Example 7

Sara moved to Puerto Rico in April 2002 on a temporary assignment for Perce, Inc. She returned to the U.S. in July, 2002. Sara earned \$10,000 in Puerto Rico and \$20,000 in the U.S. for 2002. Sara must report both the U.S. and Puerto Rican source income of \$30,000 on Form 1040.

Remember that although the taxpayer may not have any requirement for filing a U.S. return, the income will need to be reported to Puerto Rico according to their filing requirements.

Exercise 5-1

- a.** Manuel and Luisa, bonafide residents of Puerto Rico, are married, filing a joint return. Manuel works for the federal government earning \$27,000 and Luisa does not work. Are they required to file a U.S. return?
- b.** Federico is single and earns \$27,000 at a local grocery store. He also has interest income of \$4,500 from the Bank of Miami in Florida. Must he file a Form 1040 return?
- c.** Mary and Louis are bonafide residents of Puerto Rico. Mary is a federal employee and earns \$32,000 while Louis works for a law firm and earns \$40,000. What income should be reported on Form 1040?
- d.** Carmen has always been a bonafide resident of Puerto Rico. In June 2002 she moved to Denver, Colorado to work. She earned \$10,000 while in Puerto Rico and \$25,000 while in Colorado. On Dec. 31, 2002 she moved back to P.R. What income must Carmen report on Form 1040?

STUDENT NOTES

Lined area for student notes.



ADJUSTMENT TO INCOME

IRAs

Taxpayers with taxable earned income may deduct IRAs (trust account must be in U.S.) on a U.S. Form 1040. The reason for this is that only taxable earned income qualifies for the IRA deduction. **Any earned income excluded under IRC 933 does not qualify.**

Alimony Paid

Alimony may be deducted even though the spouse is not reporting the income, because she/he lives in Puerto Rico.

STUDENT NOTES



FOREIGN TAX CREDIT

INTRODUCTION

The United States taxes its citizens and residents on their worldwide income. This means that the U.S. citizen reports not only income derived from U.S. wages, gains, interest and other income, but also income earned overseas, such as interest from foreign banks, dividends from foreign corporations, or compensation for performing services in a foreign country. The foreign tax credit, which is provided by IRC 901, is designed to relieve U.S. taxpayers of the double burden imposed when their foreign income is taxed by both this country and the country from which it is derived (Puerto Rico). The foreign tax credit reduces a taxpayer's tax liability by some or all of the Puerto Rico taxes paid or accrued during the tax year.

Puerto Ricans, as U.S. citizens, are taxed on worldwide income. However, because of IRC 933 most income from Puerto Rican sources is exempted from U.S. taxation. U.S. and foreign source income are still taxed on the U.S. return, Form 1040.

Taxpayers are not able to claim credits allocable to the Puerto Rico income not subject to federal taxes. Therefore, if a taxpayer has income from P.R. sources not taxable on the federal return, he or she must reduce his/her foreign taxes paid or accrued by the taxes allocable to exempt income.

Who May Take the Credit

Taxpayers who have taxable foreign source or Puerto Rican source income may take the foreign tax credit. IRC 933 exempts all P.R. income except U.S. government wages (both military or civilian). Taxpayers in Puerto Rico who have income from the U.S. government will be required to file Forms 1040 and 1116. All the Puerto Rican taxes paid or accrued on both exempt and non-exempt income may be shown in Part II of Form 1116 when computing the credit. However, the taxes paid on exempt income must be determined (as shown below), and are not allowed as part of the foreign tax credit.

To find the amount allocable to the exempt income, multiply the taxes paid or accrued to Puerto Rico by a fraction. The numerator of the fraction is the exempt income from P.R. sources under IRC 933 less deductible expenses allocable to that income. The denominator is the total amount of income subject to P.R. tax less deductible expenses allocable to that income.

Formula

$$\frac{\text{Income from P.R. sources not subject to federal tax under IRC 933 less deductible expenses allocable to that income}}{\text{Total income subject to Puerto Rico tax less deductible expenses allocable to that income}} \times \text{Tax paid or accrued to P.R.} = \text{Reduction in Foreign taxes}$$

Example 1

John and Mary are bonafide residents of Puerto Rico filing jointly. John works for the federal government and received a salary of \$39,397 during 2002 and had employee business expenses allocable to that income of \$500. Mary works for a private industry and received a salary of \$18,000 and had employee business expenses of \$300 allocable to that income. Total taxes paid to Puerto Rico, \$5,275.

$$\frac{\$17,700}{56,597} \times \$5,275 = \$1,635 \quad \text{Taxes allocable to exempt income; Form 1116 Part III, Line 12"}$$

When the Credit May Be Taken

A qualified foreign tax may be credited in the tax year in which it is paid or accrued depending upon your method of accounting. When calculating the taxes paid or accrued, refer to the U.S. tax year for which your U.S. income tax return is filed (usually Jan. 1–Dec. 31).

Most taxpayers file their U.S. tax return Form 1040 on the cash receipts and disbursements method of accounting. Normally, a taxpayer filing under this method reports his/her income when received and deducts expenses when paid. In claiming a foreign tax credit, the taxpayer may choose to report the P.R. taxes available for credit under either the cash or accrual method. Under the cash method, the P.R. taxes are reported when actually paid. Payments and withholding for the P.R. government on wages qualify as taxes paid.

Accrued taxes are included on Form 1116 when the tax is assessed. Under the accrual method, the taxes are fixed as the last day of the tax year. Even though the taxpayer has not actually paid any taxes to P.R., he/she may claim the credit for the amount of the taxes he is liable for. The tax is fixed under the accrual method in Puerto Rico on December 31 of each year. This method is normally used by U.S. government employees in P.R. because payment of P.R. taxes is usually not until after the close of the tax year.

Example 2

Rafael worked for the federal government earning \$37,000, for which they withheld U.S. tax of \$3,000. His wife Sara worked at a local grocery and earned \$18,000. They withheld \$1,000 of P.R. tax. At the end of the year they computed their tax liability to Puerto Rico and owed \$5,100. However, they may not claim the \$3,000 U.S. tax withholding against the P.R. tax liability. Under the accrual method, they may only claim Rafael's share of their P.R. tax liability against their U.S. tax.

Part I—Taxable Income from Sources Outside the United States

In order to arrive at the overall limitation which represents the maximum credit that can be claimed, a taxpayer must compare foreign income taxed by the U.S. with total income taxed by the U.S.

The first step in computing the credit is to determine the amount of gross foreign and P.R. source income. This is written in Part I, Line 1 of Form 1116.

Exhibit 2

Form 1116

<p>Form 1116</p> <p>Department of the Treasury Internal Revenue Service (99)</p> <p>Name _____</p>	<p>Foreign Tax Credit (Individual, Estate, or Trust)</p> <p>▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions.</p>	<p>OMB No. 1545-0121</p> <p style="font-size: 2em; font-weight: bold;">2002</p> <p>Attachment Sequence No. 19</p>		
<p>Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.</p>		<p>Identifying number as shown on page 1 of your tax return _____</p>		
<p>a <input type="checkbox"/> Passive income d <input type="checkbox"/> Shipping income g <input type="checkbox"/> Lump-sum distributions</p> <p>b <input type="checkbox"/> High withholding tax interest e <input type="checkbox"/> Dividends from a DISC or former DISC h <input type="checkbox"/> Section 901(j) income</p> <p>c <input type="checkbox"/> Financial services income f <input type="checkbox"/> Certain distributions from a foreign sales corporation (FSC) or former FSC i <input type="checkbox"/> Certain income re-sourced by treaty</p> <p style="text-align: right;">j <input type="checkbox"/> General limitation income</p>				
<p>k Resident of (name of country) ▶ _____</p>				
<p>Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.</p>				
<p>Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)</p>				
	<p>Foreign Country or U.S. Possession</p>			
	A	B	C	Total (Add cols. A, B, and C.)
<p>I Enter the name of the foreign country or U.S. possession ▶</p> <p>1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):</p> <p>.....</p>				
<p>Deductions and losses (<i>Caution:</i> See pages 9, 12, and 13 of the instructions):</p>				
	1			

It is important to correctly separate the foreign income which is entered on Form 1116, from the total income which appears on the Form 1040 and its attached forms and schedules.

Notice that the figures entered on Part I, Line 1 are gross income figures. Gross income does not include exempt income under IRC 933 and IRC 912.

A U.S. government employee reports his wages on Line 1 of Form 1116. He does not include the COLA or any exempt income under IRC 933.

Example 3

Ed Romero is a U.S. citizen and bona fide resident of Puerto Rico. Ed works for the U.S. government in San Juan and earned \$16,000 in wages and received \$1,200 in COLA. Ed will report \$16,000 on his 2002 Form 1116, Line 1. The COLA will not be included.

Allocation of Income

Sometimes an allocation must be made in Part I of Form 1116. This happens when you cannot segregate compensation for services performed partly within and partly outside of the U.S.

In order to determine how much income should be considered foreign for purposes of Form 1116, an apportionment should be made on a time basis. That is, you must include as foreign gross income the amount that results from multiplying the total amount received by a fraction, the numerator of which is the number of days you performed services in foreign countries and the denominator, which is the total number of days of service for which you receive payment.

Example 4

Jaime Torres, a merchant marine, earned \$20,000 during 2002. The number of days he worked to receive this income was 300 days. He worked in foreign ports during 150 of these days, the rest were performed coastwide in the U.S. The following allocation should be made to determine foreign source income.

$$\frac{150}{300} \times \$20,000 = \$10,000$$

It would appear on the Form 1116 as follows:

Exhibit 3

Form 1116

<p>Form 1116</p> <p>Department of the Treasury Internal Revenue Service (99)</p>	<p>Foreign Tax Credit (Individual, Estate, or Trust)</p> <p>▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions.</p>	<p>OMB No. 1545-0121</p> <p>2002</p> <p>Attachment Sequence No. 19</p>
<p>Name Jaime Torres</p>		<p>Identifying number as shown on page 1 of your tax return 000-00-5862</p>
<p>Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.</p>		
<p> <input type="checkbox"/> a Passive income <input type="checkbox"/> d Shipping income <input type="checkbox"/> g Lump-sum distributions <input type="checkbox"/> b High withholding tax interest <input type="checkbox"/> e Dividends from a DISC or former DISC <input type="checkbox"/> h Section 901(f) income <input type="checkbox"/> c Financial services income <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC <input type="checkbox"/> i Certain income re-sourced by treaty <input checked="" type="checkbox"/> j General limitation income </p>		
<p>k Resident of (name of country) ▶ Puerto Rico</p>		
<p>Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.</p>		
<p>Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)</p>		
	Foreign Country or U.S. Possession	Total (Add cols. A, B, and C.)
	A B C	
<p>l Enter the name of the foreign country or U.S. possession ▶</p> <p>1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions): Wages $150/300 \times 20,000$</p>	<p>PR</p> <p style="background-color: #cccccc;"> </p> <p style="background-color: #cccccc;"> </p> <p style="background-color: #cccccc;"> </p> <p>10,000</p>	<p>1</p> <p>10,000</p>

Pension Income

Enter on Line 1, Part I, the income received from a U.S. Civil Service pension whose services were performed 100% in Puerto Rico, or outside the U.S.

Example 5

Pedro Rivera is a U.S. civil service retiree. He received \$10,000 from his federal pension. Services for this pension were performed in P.R. Part I of Form 1116 will be completed as follows:

Exhibit 4

Form 1116

<p style="text-align: center;">Form 1116</p> <p style="font-size: small;">Department of the Treasury Internal Revenue Service (99)</p>	<p>Foreign Tax Credit (Individual, Estate, or Trust)</p> <p>▶ Attach to Form 1040, 1040NR, 1041, or 990-T. ▶ See separate instructions.</p>	<p style="font-size: x-small;">OMB No. 1545-0121</p> <p style="font-size: 2em; font-weight: bold;">2002</p> <p style="font-size: x-small;">Attachment Sequence No. 19</p>		
<p>Name Pedro Rivera</p>		<p>Identifying number as shown on page 1 of your tax return 000-00-7324</p>		
<p>Use a separate Form 1116 for each category of income listed below. See Categories of Income on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.</p>				
<p> <input checked="" type="checkbox"/> a Passive income <input type="checkbox"/> d Shipping income <input type="checkbox"/> g Lump-sum distributions <input type="checkbox"/> b High withholding tax interest <input type="checkbox"/> e Dividends from a DISC or former DISC <input type="checkbox"/> h Section 901(j) income <input type="checkbox"/> c Financial services income <input type="checkbox"/> f Certain distributions from a foreign sales corporation (FSC) or former FSC <input type="checkbox"/> i Certain income re-sourced by treaty <input type="checkbox"/> j General limitation income </p>				
<p>k Resident of (name of country) ▶ Puerto Rico</p> <p>Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.</p>				
<p>Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)</p>				
	<p>Foreign Country or U.S. Possession</p>			<p>Total (Add cols. A, B, and C.)</p>
	<p>A</p>	<p>B</p>	<p>C</p>	
<p>l Enter the name of the foreign country or U.S. possession ▶</p> <p>1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):</p> <p style="padding-left: 20px;">Pension</p>	<p>PR</p>			<p>1</p>
<p>Deductions and losses (Caution: See pages 9, 12, and 13 of the instructions):</p>				<p>10,000</p>
	<p>10,000</p>			<p>10,000</p>

In order to determine the amount that should be included in Part I of Form 1116 when a taxpayer receives a pension subject to federal tax and part of the services for that pension were performed in the U.S. and part in a foreign country or possession, an apportionment should be made on a year basis. That is, you must include as foreign source income the amount that results from multiplying the total amount of income received from the pension by a fraction, the numerator of which is the number of years you performed services in foreign countries and the denominator, which is the total number of years of service for that pension.

$$\frac{\text{Years in foreign country}}{\text{Total years of service for the pension}} \times \text{Annual Pension} = \text{Foreign Amount}$$

Adjustments and Deductions — Line 2

When computing taxable income from foreign sources for the foreign tax credit, you must deduct from foreign income the expenses, losses, etc., which are related to the foreign income.

Exhibit 6

Form 1116

Deductions and losses (<i>Caution: See pages 9, 12, and 13 of the instructions:</i>)				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related:				
a Certain itemized deductions or standard deduction (see instructions)				
b Other deductions (attach statement)				
c Add lines 3a and 3b				
d Gross foreign source income (see instructions)				
e Gross income from all sources (see instructions)				
f Divide line 3d by line 3e (see instructions)				
g Multiply line 3c by line 3f				
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5				6
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				7

Deductions which are **directly** related to the foreign income are entered on Line 2. The items listed below are examples of some of the deductions that are directly related to the production of specific income.

- 1) Business expenses
- 2) Moving expenses
- 3) Individual Retirement Account and Keogh contributions
- 4) Professional and Union dues

You must reduce foreign gross income by an allowable portion of other expenses and deductions (such as the adjustments for alimony paid, charitable contributions, and itemized deductions or the standard deductions) which are **not directly** related to specific items of income. No allocation is made for personal exemptions.

This allocation is computed on Part I, Lines 3a–3g of Form 1116

If you do not itemize, you will enter the standard deduction. If the standard deduction was modified due to exempt income under IRC 933 (PR source income), you should enter on Line 3a of Form 1116 the allowable portion of the standard deduction as figured on Line 2d of Pub 1321 worksheet. The amount entered on line 3a, itemized deductions, is reported by taking these amounts from lines 4, 9, and 18 of Schedule A. Note that Schedule A will already show deductions modified due to exempt income under IRC 933 (P.R. source income).

The interest expense is subject to a separate allocation on line 4 of Form 1116.

Note

For purpose of this allocation ONLY, “gross income” includes exempt and excluded income, such as the income exempt under IRC 933 PR Source income. **REMEMBER:** If an item of expenses or deduction cannot be related to specific income being reported, it must be prorated. When the expense was paid, from what income it was paid, or where it was paid are not determining factors.

Example 8

Isidro and Barbara are U.S. citizens living and working in Puerto Rico. Isidro has earnings of \$30,000 from his law practice and Barbara earns \$35,808 working for the federal government. She also has COLA of \$1,000. They had charitable contributions of \$400. Before computing the foreign taxable income on line 7, Form 1116, Isidro and Barbara must first allocate their standard deduction.

Exhibit 8

Worksheet for Puerto Rico Filers with Exempt Income under Section 933 Who Do Not Itemize Deductions

1. Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box
- 1, enter \$4,700
 - 2, or 5, enter \$7,850 7,850
 - 3, enter \$3,925
 - 4, enter \$6,900

CAUTION: If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions.

or

If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions.

2. Allowable portion of STANDARD DEDUCTION:
- a. Gross income subject to U.S. tax 35,808
 - b. Total gross income from all sources (including exempt P.R. income) 65,808
 - c. Divide line 2a by line 2b54
 - d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040
line 38 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION) 4,239

Write the following above line 38 Form 1040 or line 24 of Form 1040A:

“Standard Deduction modified due to exempt income under section 933.”

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)				
	Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
	A	B	C	
1 Enter the name of the foreign country or U.S. possession ▶	PR			
1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):				
Wages	35,808			1 35,808
Deductions and losses (<i>Caution: See pages 9, 12, and 13 of the instructions</i>):				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related :				
a Certain itemized deductions or standard deduction (see instructions)	4,239			
b Other deductions (attach statement)				
c Add lines 3a and 3b	4,239			
d Gross foreign source income (see instructions)	65,808			
e Gross income from all sources (see instructions)	65,808			
f Divide line 3d by line 3e (see instructions)	1			
g Multiply line 3c by line 3f	4,239			
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5	4,239			6 4,239
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				7 31,569

Notice that the allocated standard deduction is entered on Line 3a. The standard deduction must be allocated because the taxpayers have exempt Puerto Rico income. Lines 3d and 3e are identical because the taxpayers have only Puerto Rico source income.

Part II—Foreign Taxes Paid or Accrued

This part of Form 1116 is used to establish the amount of qualified foreign taxes paid or accrued during the year.

Exhibit 10

Form 1116

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)									
Country	Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued	Foreign taxes paid or accrued							
		In foreign currency				In U.S. dollars			
		Taxes withheld at source on:			(s) Other foreign taxes paid or accrued	Taxes withheld at source on:			(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(t) Dividends		(u) Rents and royalties	(v) Interest		
A									
B									
C									
8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶									8

For Paperwork Reduction Act Notice, see page 16 of the instructions. Cat. No. 11440U Form **1116** (2002)

If the taxpayer must complete more than one Form 1116 (for example, the taxpayer has wages and interest) each Form 1116 Part II should show only the amount of foreign tax assessed on the type of income for which that Form 1116 is being filed.

A married couple who file a joint return are considered one taxpayer and may credit the total foreign tax of both spouses.

Example 9

John and Mary are married filing a joint return. John is a federal employee and earned \$43,200. Mary works for a private industry in Puerto Rico and earned \$22,000. They prepared their Puerto Rican income tax return and have a Puerto Rico tax liability of \$5,700.

Exhibit 11

Form 1116

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)									
Country	Credit is claimed for taxes (you must check one) (m) <input checked="" type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued	Foreign taxes paid or accrued							
		In foreign currency				In U.S. dollars			
		Taxes withheld at source on:			(s) Other foreign taxes paid or accrued	Taxes withheld at source on:			(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(t) Dividends		(u) Rents and royalties	(v) Interest		
A	12/31/02							5,700	5,700
B									
C									
8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶									8

For Paperwork Reduction Act Notice, see page 16 of the instructions. Cat. No. 11440U Form **1116** (2002)

Part III—Figuring the Credit

In Part III we apply the overall limitation formula to determine the maximum amount of Foreign Tax Credit.

Exhibit 12

Form 1116

Form 1116 (2002)		Page 2
Part III Figuring the Credit		
9	Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I	9
10	Carryback or carryover (attach detailed computation)	10
11	Add lines 9 and 10	11
12	Reduction in foreign taxes (see page 13 of the instructions)	12
13	Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit	13
14	Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 14 of the instructions)	14
15	Adjustments to line 14 (see page 14 of the instructions)	15
16	Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.)	16
17	Individuals: Enter the amount from Form 1040, line 39. If you are a nonresident alien, enter the amount from Form 1040NR, line 37. Estates and trusts: Enter your taxable income without the deduction for your exemption <i>Caution: If you figured your tax using the special rates on capital gains, see page 15 of the instructions.</i>	17
18	Divide line 16 by line 17. If line 16 is more than line 17, enter "1"	18
19	Individuals: Enter the amount from Form 1040, line 42. If you are a nonresident alien, enter the amount from Form 1040NR, line 40. Estates and trusts: Enter the total of Form 1041, Schedule G, lines 1a and 1b, or the total of Form 990-T, lines 36 and 37	19
20	Multiply line 19 by line 18 (maximum amount of credit)	20
21	Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 15 of the instructions) ▶	21

Lines 9–10 show the amount of foreign taxes from Part II which, with certain adjustments, are available for the credit.

Line 12 shows the reduction in foreign taxes, if applicable. If you have income from P.R. sources not taxable on the federal return, you must reduce your foreign taxes paid or accrued by the taxes allocable to exempt income. Use the formula explained on page 32 under *Who May take the Credit*.

Lines 14 - 20 are the calculations to determine the maximum amount of the credit.

Line 21 is the allowable foreign tax credit—the lesser of the foreign taxes available for credit (Line 13) or the limitation (Line 20).

Part IV—Summary of Credits from Separate Parts III

Lines 22 through 29 must be completed if the taxpayer has more than one category of foreign income and multiple Forms 1116 were completed. If this occurs, only one of the Forms 1116, Part IV, should be completed.

If the taxpayer only claimed one type of foreign income, enter the amount from Line 21 on Line 31 then complete Lines 32 and 33.

Exhibit 13

Form 1116

Part IV Summary of Credits From Separate Parts III (see page 16 of the instructions)			
22	Credit for taxes on passive income	22	
23	Credit for taxes on high withholding tax interest	23	
24	Credit for taxes on financial services income	24	
25	Credit for taxes on shipping income	25	
26	Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC	26	
27	Credit for taxes on lump-sum distributions	27	
28	Credit for taxes on certain income re-sourced by treaty	28	
29	Credit for taxes on general limitation income	29	
30	Add lines 22 through 29		30
31	Enter the smaller of line 19 or line 30		31
32	Reduction of credit for international boycott operations. See instructions for line 12 on page 13		32
33	Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 45; Form 1040NR, line 43; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶		33

Draft

Form **1116** (2002)

♻️

Comprehensive Example:

Trevor and LaVonne, U.S. citizens and Puerto Rico residents, are filing jointly. They have \$3,000 in interest from savings at Maryland National Bank in the U.S. Trevor works at a resort hotel in San Juan and earns \$27,500. LaVonne works for the federal government and earns \$32,859. She also receives COLA of \$3,779. The U.S. government withheld \$3,971 in U.S. income tax. They will claim \$5,200 of tax liability accrued to Puerto Rico. They will not itemize deductions. Their return will be prepared as follows:

First, they will prepare the Form 1040 thru line 35. The income reported is \$32,859 federal wages and \$3,000 interest from a bank in the U.S. Remember that the COLA of \$3,779 is exempt,

Form 1040

Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return 2002

(99) IRS Use Only—Do not write or staple in this space.

Label

(See instructions on page 19.)

Use the IRS label. Otherwise, please print or type.

Label Here

For the year Jan. 1–Dec. 31, 2002, or other tax year beginning , 2002, ending , 20
Your first name and initial Last name
Trevor Regalo
If a joint return, spouse's first name and initial Last name
La Vonne Medicina
Home address (number and street). If you have a P.O. box, see page 19. Apt. no.
Calle Matienzo #51
City, town or post office, state, and ZIP code. If you have a foreign address, see page 19.
Isla Verde, P.R. 00061

OMB No. 1545-0074
Your social security number
000: 00: 8527
Spouse's social security number
000: 00: 6281

Important!
You must enter your SSN(s) above.

Presidential Election Campaign

Note. Checking "Yes" will not change your tax or reduce your refund.
Do you, or your spouse if filing a joint return, want \$3 to go to this fund?

You Spouse
[X] Yes [] No [X] Yes [] No

Filing Status

Check only one box.

- 1 [] Single
2 [X] Married filing jointly (even if only one had income)
3 [] Married filing separately. Enter spouse's SSN above and full name here.
4 [] Head of household (with qualifying person). (See page 19.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 [] Qualifying widow(er) with dependent child (year spouse died). (See page 19.)

Exemptions

If more than five dependents, see page 20.

6a [X] Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a
b [X] Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) [X] if qualifying child for child tax credit (see page 20)
d Total number of exemptions claimed

No. of boxes checked on 6a and 6b: 2
No. of children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see page 20)
Dependents on 6c not entered above
Add numbers on lines above: 2

Income

Attach Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 21.

Enclose, but do not attach, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
b Tax-exempt interest. Do not include on line 8a
9 Ordinary dividends. Attach Schedule B if required
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 22)
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a IRA distributions
15b Taxable amount (see page 23)
16a Pensions and annuities
16b Taxable amount (see page 23)
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits
20b Taxable amount (see page 25)
21 Other income. List type and amount (see page 27)
22 Add the amounts in the far right column for lines 7 through 21. This is your total income

Table with 3 columns: Line number, Amount, and Total. Line 7: 32,859.00; Line 8a: 3,000.00; Line 22: 35,859.00

Adjusted Gross Income

23 Educator expenses (see page xx)
24 IRA deduction (see page 27)
25 Student loan interest deduction (see page 28)
26 Tuition and fees deduction (see page XX)
27 Archer MSA deduction. Attach Form 8853
28 Moving expenses. Attach Form 3903
29 One-half of self-employment tax. Attach Schedule SE
30 Self-employed health insurance deduction (see page 30)
31 Self-employed SEP, SIMPLE, and qualified plans
32 Penalty on early withdrawal of savings
33a Alimony paid b Recipient's SSN
34 Add lines 23 through 33a
35 Subtract line 34 from line 22. This is your adjusted gross income

Table with 3 columns: Line number, Amount, and Total. Line 34: 35,859.00; Line 35: 35,859.00

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 72.

Cat. No. 11320B

Form 1040 (2002)

as is Trevor's wages of \$27,500, under IRC 933. Even though Trevor does not report his income on the Form 1040, he may claim his personal exemption and file jointly with his wife.

Since Trevor and LaVonne have exempt income, they must allocate their standard deduction. The result is carried to Line 38 of Form 1040. It is important to write "Standard deduction modified due to exempt income under IRC 933" above Line 38 of Form 1040.

Form 1040 is then completed to line 42 computing the income tax liability.

Exhibit 15

**Worksheet for Puerto Rico Filers with Exempt Income
under Section 933 Who Do Not Itemize Deductions**

1. Enter STANDARD DEDUCTION; If you checked Form 1040, Filing Status box
- 1, enter \$4,700
 - 2, or 5, enter \$7,850 7,850
 - 3, enter \$3,925
 - 4, enter \$6,900

CAUTION: If you are 65 or over or blind, calculate your standard deduction using the chart in the Form 1040 instructions.

or

If someone can claim you as a dependent, use the Standard Deduction Worksheet for Dependents in the Form 1040 Instructions.

2. Allowable portion of STANDARD DEDUCTION:
- a. Gross income subject to U.S. tax 35,859
 - b. Total gross income from all sources (including exempt P.R. income) 63,359
 - c. Divide line 2a by line 2b57
 - d. Multiply Standard Deduction (line 1) by line 2c and enter this amount on Form 1040 line 38 or Form 1040A line 24 (allowable portion of STANDARD DEDUCTION) 4,475

Write the following above line 38 Form 1040 or line 24 of Form 1040A:

"Standard Deduction modified due to exempt income under section 933."



* "Standard deduction modified due to exempt income under Section 933."

Exhibit 16

Form 1040 (2002)		Page 2		
Tax and Credits Standard Deduction for— <ul style="list-style-type: none"> • People who checked any box on line 37a or 37b or who can be claimed as a dependent, see page 31. • All others: Single, \$4,700 Head of household, \$6,900 Married filing jointly or Qualifying widow(er), \$7,850 Married filing separately, \$3,925 	36	Amount from line 35 (adjusted gross income)	36	35,859
	37a	Check if: <input type="checkbox"/> You were 65 or older, <input type="checkbox"/> Blind; <input type="checkbox"/> Spouse was 65 or older, <input type="checkbox"/> Blind. Add the number of boxes checked above and enter the total here ▶ 37a		
	b	If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien, see page 31 and check here ▶ 37b <input type="checkbox"/>		
	38	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	38	*4,475
	39	Subtract line 38 from line 36	39	31,384
	40	If line 36 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d. If line 36 is over \$103,000, see the worksheet on page 32	40	6,000
	41	Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0-	41	25,384
	42	Tax (see page 33). Check if any tax is from a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972	42	3,206
	43	Alternative minimum tax (see page 34). Attach Form 6251	43	
	44	Add lines 42 and 43	44	3,206
	45	Foreign tax credit. Attach Form 1116 if required	45	
	46	Credit for child and dependent care expenses. Attach Form 2441	46	
	47	Credit for the elderly or the disabled. Attach Schedule R	47	
	48	Education credits. Attach Form 8863	48	
	49	Retirement savings contributions credit. Attach Form 8880	49	
50	Child tax credit (see page XX)	50		
51	Adoption credit. Attach Form 8839	51		
52	Credits from: a <input type="checkbox"/> Form 8396 b <input type="checkbox"/> Form 8859	52		
53	Other credits. Check applicable box(es): a <input type="checkbox"/> Form 3800 b <input type="checkbox"/> Form 8801 c <input type="checkbox"/> Specify	53		
54	Add lines 45 through 53. These are your total credits	54		
55	Subtract line 54 from line 44. If line 54 is more than line 44, enter -0-	55		

The next step is to complete the Form 1116 and determine the amount of foreign tax credit to enter on Form 1040, Line 45.

Part I, Line 3a, is completed using the allocated standard deduction from Exhibit 15. Also note that Line 3d includes both exempt and nonexempt foreign income. Line 3e includes the U.S. interest income of \$3,000.

Form **1116**
 Department of the Treasury
 Internal Revenue Service (99)

Foreign Tax Credit
 (Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
 ▶ See separate instructions.

OMB No. 1545-0121
2002
 Attachment
 Sequence No. 19

Name Trevor Regalo & La Vonne Medicina Identifying number as shown on page 1 of your tax return 000-00-8527

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ Puerto Rico

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

	Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
	A	B	C	
1 Enter the name of the foreign country or U.S. possession ▶ <u>PR</u>				
1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):				
<u>Salaries</u>	<u>32,859</u>			<u>1</u> <u>32,859</u>
Deductions and losses (Caution: See pages 9, 12, and 13 of the instructions):				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related:				
a Certain itemized deductions or standard deduction (see instructions)	<u>4,475</u>			
b Other deductions (attach statement)	<u>4,475</u>			
c Add lines 3a and 3b	<u>60,359</u>			
d Gross foreign source income (see instructions)	<u>63,359</u>			
e Gross income from all sources (see instructions)	<u>.95</u>			
f Divide line 3d by line 3e (see instructions)	<u>4,251</u>			
g Multiply line 3c by line 3f				
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5	<u>4,251</u>			<u>6</u> <u>4,251</u>
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				<u>7</u> <u>28,608</u>

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)

Country	Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input checked="" type="checkbox"/> Accrued	Foreign taxes paid or accrued								
		In foreign currency				In U.S. dollars				
		(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(s) Other foreign taxes paid or accrued	(t) Dividends	(u) Rents and royalties	(v) Interest	(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
A	<u>12/31/02</u>								<u>5,200</u>	<u>5,200</u>
B										
C										
8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶										8

For Paperwork Reduction Act Notice, see page 16 of the instructions.

Cat. No. 11440U

Form **1116** (2002)

Part III Figuring the Credit

9	Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I	9	5,200		
10	Carryback or carryover (attach detailed computation)	10			
11	Add lines 9 and 10	11	5,200		
12	Reduction in foreign taxes (see page 13 of the instructions)	12	2,236		
13	Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit	13			2,964
14	Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 14 of the instructions)	14	28,608		
15	Adjustments to line 14 (see page 14 of the instructions)	15			
16	Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.)	16	28,608		
17	Individuals: Enter the amount from Form 1040, line 39. If you are a nonresident alien, enter the amount from Form 1040NR, line 37. Estates and trusts: Enter your taxable income without the deduction for your exemption	17	31,384		
18	Caution: If you figured your tax using the special rates on capital gains, see page 15 of the instructions. Divide line 16 by line 17. If line 16 is more than line 17, enter "1"	18			.91
19	Individuals: Enter the amount from Form 1040, line 42. If you are a nonresident alien, enter the amount from Form 1040NR, line 40. Estates and trusts: Enter the total of Form 1041, Schedule G, lines 1a and 1b, or the total of Form 990-T, lines 36 and 37.	19			3,206
20	Multiply line 19 by line 18 (maximum amount of credit)	20			2,917
21	Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 15 of the instructions) ▶	21			2,917

Part IV Summary of Credits From Separate Parts III (see page 16 of the instructions)

22	Credit for taxes on passive income	22			
23	Credit for taxes on high withholding tax interest	23			
24	Credit for taxes on financial services income	24			
25	Credit for taxes on shipping income	25			
26	Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC	26			
27	Credit for taxes on lump-sum distributions	27			
28	Credit for taxes on certain income re-sourced by treaty	28			
29	Credit for taxes on general limitation income	29			
30	Add lines 22 through 29	30			
31	Enter the smaller of line 19 or line 30	31			2,917
32	Reduction of credit for international boycott operations. See instructions for line 12 on page 13	32			
33	Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 45; Form 1040NR, line 43; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶	33			2,917

The entry on Line 12 must be reduced since the taxpayer has exempt income. The amount is calculated, using the steps discussed on page 32, as follows:

$$\begin{array}{r} 27,500 \text{ Exempt income} \times 5,200 \text{ Tax Paid} = 2,236 \\ \hline 63,359 \text{ Total income} \end{array}$$

The amount on Line 33 is then entered on Form 1040, line 45. The foreign tax credit is a nonrefundable credit and reduces the tax liability dollar for dollar down to zero.

Exercise 7-1

Miguel Candela is 35 years of age and single. He is a U.S. citizen and has lived in Puerto Rico for all of 2002. Miguel worked for the U.S. government and had \$39,596 in wages. His Puerto Rico income tax liability is \$4,921 and his federal Form 1040 tax liability on line 42 is \$4,331. Calculate his foreign tax credit.

Exercise 7-1

Form **1116**
 Department of the Treasury
 Internal Revenue Service (99)

Foreign Tax Credit
 (Individual, Estate, or Trust)
 ▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
 ▶ See separate instructions.

OMB No. 1545-0121
2002
 Attachment
 Sequence No. **19**

Name _____ Identifying number as shown on page 1 of your tax return _____

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ _____

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

	Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
	A	B	C	
I Enter the name of the foreign country or U.S. possession ▶				
1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):				1
Deductions and losses (Caution: See pages 9, 12, and 13 of the instructions):				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related:				
a Certain itemized deductions or standard deduction (see instructions)				
b Other deductions (attach statement)				
c Add lines 3a and 3b				
d Gross foreign source income (see instructions)				
e Gross income from all sources (see instructions)				
f Divide line 3d by line 3e (see instructions)				
g Multiply line 3c by line 3f				
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5				6
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				7

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)

Country	Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued	Foreign taxes paid or accrued							
		In foreign currency				In U.S. dollars			
		Taxes withheld at source on:			(s) Other foreign taxes paid or accrued	Taxes withheld at source on:			(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(t) Dividends		(u) Rents and royalties	(v) Interest		
A									
B									
C									
8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶									8

For Paperwork Reduction Act Notice, see page 16 of the instructions. Cat. No. 11440U Form **1116** (2002)

COMPREHENSIVE PROBLEM 1

Elizabeth and Matthew Gonzalez are U.S. citizens, bona fide residents of P.R. and will file a joint return. Elizabeth worked for the Department of Agriculture and earned \$25,975. Matthew worked for a local resort and earned \$22,534.

Their Form 1040 shows the following:

Line 39 \$21,736

Line 42 \$ 1,759

Their Puerto Rico tax liability is \$4,398.

Complete a Form 1116 for Elizabeth and Matthew.

Comprehensive Problem

Form **1116**
 Department of the Treasury
 Internal Revenue Service (99)

Foreign Tax Credit
 (Individual, Estate, or Trust)
 Attach to Form 1040, 1040NR, 1041, or 990-T.
 See separate instructions.

OMB No. 1545-0121
2002
 Attachment
 Sequence No. 19

Name _____ Identifying number as shown on page 1 of your tax return _____

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ _____

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

	Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
	A	B	C	
1 Enter the name of the foreign country or U.S. possession ▶				
1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):				1
Deductions and losses (Caution: See pages 9, 12, and 13 of the instructions):				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related:				
a Certain itemized deductions or standard deduction (see instructions)				
b Other deductions (attach statement)				
c Add lines 3a and 3b				
d Gross foreign source income (see instructions)				
e Gross income from all sources (see instructions)				
f Divide line 3d by line 3e (see instructions)				
g Multiply line 3c by line 3f				
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5				6
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				7

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)

Country	Credit is claimed for taxes (you must check one) (m) <input type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued	Foreign taxes paid or accrued							
		In foreign currency				In U.S. dollars			
		Taxes withheld at source on:				Taxes withheld at source on:			
(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(s) Other foreign taxes paid or accrued	(t) Dividends	(u) Rents and royalties	(v) Interest	(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
A									
B									
C									
8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶									8

For Paperwork Reduction Act Notice, see page 16 of the instructions.

Cat. No. 11440U

Form **1116** (2002)

STUDENT NOTES



ANSWER TO EXERCISES/PROBLEMS

Lesson 1

- Exercise 1a. Yes
1b. Two.

Lesson 2

Exercise 2-1. Yes, the salary paid to Mr. Juan Mariposa for the one month on temporary assignment in the U.S. is U.S. source income.

Exercise 2-2. U.S. source income

Summary Exercise

- a. The rental property income is U.S. source. Any interest income from Banco Santurce is Puerto Rico source income.
- b. \$10,000 wages - P.R. sourced
\$2,000 interest - P.R. sourced
\$1,000 interest - U.S. sourced
\$5,000 rental - U.S. sourced
- c. The interest from Banco de Hato Rey is Puerto Rico source. Her wages are U.S. source.

Lesson 3

- Exercises 3-1a. Line 38=4,396
3-1b. Line 38=4,700
3-1c. Line 38=1,598
3-1d. Line 38=5,850

Lesson 4

Exercise 4–1.

The formula for allocation of itemized deductions is determined as follows:

$$\text{Formula: } \frac{\text{U.S. } \$52,981}{\text{Total } \$75,515} = .70$$

Elizabeth and Matthew should itemize their deductions. The entry on Line 38, Form 1040, is 8,527

Exercise 4–2.

The formula for allocation of itemized deductions is determined as follows:

$$\text{Formula: } \frac{\text{U.S. } \$49,965}{\text{Total } \$52,417} = .95$$

* "Itemized Ded. modified due to exempt income under Section 933"

Exercise 4-1 Itemize deductions

Form 1040 Sched. A

SCHEDULES A&B (Form 1040)		Schedule A—Itemized Deductions (Schedule B is on back)				OMB No. 1545-0074 2002 Attachment Sequence No. 07	
Department of the Treasury Internal Revenue Service (99)		▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).					
Name(s) shown on Form 1040 Elizabeth & Matthew Gonzalez						Your social security number 000 00 1432	
Medical and Dental Expenses	1	Caution. Do not include expenses reimbursed or paid by others. Medical and dental expenses (see page A-2)	1	3,184	00	/	
	2	Enter amount from Form 1040, line 36	2	52,981	00		
	3	Multiply line 2 above by 7.5% (.075)	3	3,974	00		
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4		0		
Taxes You Paid (See page A-2.)	5	State and local income taxes	5			/	
	6	Real estate taxes (see page A-2)	6	1,540	00		
	7	Personal property taxes	7				
	8	Other taxes. List type and amount ▶	8				
	9	Add lines 5 through 8	9		*1,540	00	
Interest You Paid (See page A-3.)	10	Home mortgage interest and points reported to you on Form 1098	10	6,987	00	/	
	11	Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶	11				
	12	Points not reported to you on Form 1098. See page A-3 for special rules	12				
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13				
	14	Add lines 10 through 13	14		*6,987	00	
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.	15	Gifts by cash or check. If you made any gift of \$250 or more, see page A-4	15			/	
	16	Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500	16				
	17	Carryover from prior year	17				
	18	Add lines 15 through 17	18				
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.)	19				
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20			/	
	21	Tax preparation fees	21				
	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶ Safe Deposit Box fees	22	35	00		
	23	Add lines 20 through 22	23	35	00		
	24	Enter amount from Form 1040, line 36	24	52,981	00		
	25	Multiply line 24 above by 2% (.02)	25	1,060	00		
26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-	26		0			
Other Miscellaneous Deductions	27	Other—from list on page A-6. List type and amount ▶	27				
Total Itemized Deductions	28	Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.	28	*8,527	00		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Cat. No. 11330X

Schedule A (Form 1040) 2002

Exercise 4-2

<p>SCHEDULES A&B (Form 1040)</p> <p>Department of the Treasury Internal Revenue Service (99)</p>	<p>Schedule A—Itemized Deductions (Schedule B is on back)</p> <p>► Attach to Form 1040. ► See Instructions for Schedules A and B (Form 1040).</p>	<p>OMB No. 1545-0074</p> <p>2002 Attachment Sequence No. 07</p>
<p>Name(s) shown on Form 1040 Guillermo & Esmeralda Goytosolo</p>		<p>Your social security number 000 00 6821</p>
<p>Medical and Dental Expenses</p> <p>Caution. Do not include expenses reimbursed or paid by others.</p>	<p>1 Medical and dental expenses (see page A-2) 713 00</p> <p>2 Enter amount from Form 1040, line 36 49,965 00</p> <p>3 Multiply line 2 above by 7.5% (.075) 3,747 00</p> <p>4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0- 0 00</p>	<p>4 0 00</p>
<p>Taxes You Paid</p> <p>(See page A-2.)</p>	<p>5 State and local income taxes</p> <p>6 Real estate taxes (see page A-2) 831 00</p> <p>7 Personal property taxes</p> <p>8 Other taxes. List type and amount ►</p> <p>9 Add lines 5 through 8 *831 00</p>	<p>9 *831 00</p>
<p>Interest You Paid</p> <p>(See page A-3.)</p>	<p>10 Home mortgage interest and points reported to you on Form 1098 8,740 00</p> <p>11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ►</p> <p>12 Points not reported to you on Form 1098. See page A-3 for special rules</p> <p>13 Investment interest. Attach Form 4952 if required. (See page A-3.)</p> <p>14 Add lines 10 through 13 *8,740 00</p>	<p>14 *8,740 00</p>
<p>Gifts to Charity</p> <p>If you made a gift and got a benefit for it, see page A-4.</p>	<p>15 Gifts by cash or check. If you made any gift of \$250 or more, see page A-4 1,730 00</p> <p>16 Other than by cash or check. If any gift of \$250 or more, see page A-4. You must attach Form 8283 if over \$500</p> <p>17 Carryover from prior year</p> <p>18 Add lines 15 through 17 *1,730 00</p>	<p>18 *1,730 00</p>
<p>Casualty and Theft Losses</p>	<p>19 Casualty or theft loss(es). Attach Form 4684. (See page A-5.)</p>	<p>19</p>
<p>Job Expenses and Other Miscellaneous Deductions</p> <p>(See page A-5 for expenses to deduct here.)</p>	<p>20 Unreimbursed employee expenses—job travel, union dues, job education, etc. You must attach Form 2106 or 2106-EZ if required. (See page A-5.) ►</p> <p>21 Tax preparation fees</p> <p>22 Other expenses—investment, safe deposit box, etc. List type and amount ►</p> <p>23 Add lines 20 through 22</p> <p>24 Enter amount from Form 1040, line 36 24</p> <p>25 Multiply line 24 above by 2% (.02)</p> <p>26 Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-</p>	<p>26</p>
<p>Other Miscellaneous Deductions</p>	<p>27 Other—from list on page A-6. List type and amount ►</p>	<p>27</p>
<p>Total Itemized Deductions</p>	<p>28 Is Form 1040, line 36, over \$137,300 (over \$68,650 if married filing separately)?</p> <p><input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 38. ►</p> <p><input type="checkbox"/> Yes. Your deduction may be limited. See page A-6 for the amount to enter.</p>	<p>28 *11,301 00</p>
<p>For Paperwork Reduction Act Notice, see Form 1040 instructions.</p>		<p>Cat. No. 11330X Schedule A (Form 1040) 2002</p>

Lesson 5

- Exercise 5-1a. Yes
- 1b. Yes
- 1c. \$32,000
- 1d. \$25,000

Lesson 7

Exercise 7-1.

Michael's only income is from the U.S. government. Therefore, he does not have to reduce his standard deduction or allocate any of the Puerto Rican tax liability. Because his P.R. tax liability is more than his U.S. tax liability, his foreign tax credit is \$4,331. He will not owe any U.S. tax.

Form **1116**
 Department of the Treasury
 Internal Revenue Service (99)

Foreign Tax Credit
 (Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
 ▶ See separate instructions.

OMB No. 1545-0121

2002
 Attachment
 Sequence No. **19**

Name Michael Candela Identifying number as shown on page 1 of your tax return 000-00-5871

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(f) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ Puerto Rico

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

	Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
	A	B	C	
1 Enter the name of the foreign country or U.S. possession ▶	PR			
1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):				
<u>Salaries</u>	39,596			1 39,596
Deductions and losses (Caution: See pages 9, 12, and 13 of the instructions):				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related:				
a Certain itemized deductions or standard deduction (see instructions)	4,700			
b Other deductions (attach statement)				
c Add lines 3a and 3b	4,700			
d Gross foreign source income (see instructions)	39,596			
e Gross income from all sources (see instructions)	39,596			
f Divide line 3d by line 3e (see instructions)	1			
g Multiply line 3c by line 3f	4,700			
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5	4,700			6 4,700
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				7 34,896

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)

Country	Credit is claimed for taxes (you must check one) (m) <input checked="" type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued	Foreign taxes paid or accrued								
		In foreign currency				In U.S. dollars				
		Taxes withheld at source on:				Taxes withheld at source on:				
	(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(s) Other foreign taxes paid or accrued	(t) Dividends	(u) Rents and royalties	(v) Interest	(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
A	12/31/02								4,921	4,921
B										
C										

8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶ **8 4,921**

For Paperwork Reduction Act Notice, see page 16 of the instructions. Cat. No. 11440U Form **1116** (2002)

Part III Figuring the Credit

9	Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I	9	4,921		
10	Carryback or carryover (attach detailed computation)	10			
11	Add lines 9 and 10	11	4,921		
12	Reduction in foreign taxes (see page 13 of the instructions)	12	0		
13	Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit	13		4,921	
14	Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 14 of the instructions)	14	34,896		
15	Adjustments to line 14 (see page 14 of the instructions)	15			
16	Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.)	16	34,896		
17	Individuals: Enter the amount from Form 1040, line 39. If you are a nonresident alien, enter the amount from Form 1040NR, line 37. Estates and trusts: Enter your taxable income without the deduction for your exemption	17	34,896		
<i>Caution: If you figured your tax using the special rates on capital gains, see page 15 of the instructions.</i>					
18	Divide line 16 by line 17. If line 16 is more than line 17, enter "1"	18		1	
19	Individuals: Enter the amount from Form 1040, line 42. If you are a nonresident alien, enter the amount from Form 1040NR, line 40. Estates and trusts: Enter the total of Form 1041, Schedule G, lines 1a and 1b, or the total of Form 990-T, lines 36 and 37.	19		4,331	
20	Multiply line 19 by line 18 (maximum amount of credit)	20		4,331	
21	Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 15 of the instructions) ▶	21		4,331	

Part IV Summary of Credits From Separate Parts III (see page 16 of the instructions)

22	Credit for taxes on passive income	22			
23	Credit for taxes on high withholding tax interest	23			
24	Credit for taxes on financial services income	24			
25	Credit for taxes on shipping income	25			
26	Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC	26			
27	Credit for taxes on lump-sum distributions	27			
28	Credit for taxes on certain income re-sourced by treaty	28			
29	Credit for taxes on general limitation income	29			
30	Add lines 22 through 29	30			
31	Enter the smaller of line 19 or line 30	31		4,331	
32	Reduction of credit for international boycott operations. See instructions for line 12 on page 13	32		0	
33	Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 45; Form 1040NR, line 43; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶	33		4,331	

Form **1116**
 Department of the Treasury
 Internal Revenue Service (99)

Foreign Tax Credit
 (Individual, Estate, or Trust)

▶ Attach to Form 1040, 1040NR, 1041, or 990-T.
 ▶ See separate instructions.

OMB No. 1545-0121
2002
 Attachment
 Sequence No. **19**

Name Elizabeth & Matthew Gonzalez Identifying number as shown on page 1 of your tax return 000-00-1432

Use a separate Form 1116 for each category of income listed below. See **Categories of Income** on page 3 of the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

- a Passive income
- b High withholding tax interest
- c Financial services income
- d Shipping income
- e Dividends from a DISC or former DISC
- f Certain distributions from a foreign sales corporation (FSC) or former FSC
- g Lump-sum distributions
- h Section 901(j) income
- i Certain income re-sourced by treaty
- j General limitation income

k Resident of (name of country) ▶ Puerto Rico

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to more than one foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for Category Checked Above)

	Foreign Country or U.S. Possession			Total (Add cols. A, B, and C.)
	A	B	C	
I Enter the name of the foreign country or U.S. possession ▶	PR			
1 Gross income from sources within country shown above and of the type checked above (see page 7 of the instructions):				
<u>Wages</u>	22,534			1 22,534
Deductions and losses (Caution: See pages 9, 12, and 13 of the instructions):				
2 Expenses definitely related to the income on line 1 (attach statement)				
3 Pro rata share of other deductions not definitely related:				
a Certain itemized deductions or standard deduction (see instructions)	4,239			
b Other deductions (attach statement)				
c Add lines 3a and 3b	4,239			
d Gross foreign source income (see instructions)	48,509			
e Gross income from all sources (see instructions)	48,509			
f Divide line 3d by line 3e (see instructions)	1			
g Multiply line 3c by line 3f	4,239			
4 Pro rata share of interest expense (see instructions):				
a Home mortgage interest (use worksheet on page 12 of the instructions)				
b Other interest expense				
5 Losses from foreign sources				
6 Add lines 2, 3g, 4a, 4b, and 5				6 4,239
7 Subtract line 6 from line 1. Enter the result here and on line 14, page 2 ▶				7 18,295

Part II Foreign Taxes Paid or Accrued (see page 13 of the instructions)

Country	Credit is claimed for taxes (you must check one) (m) <input checked="" type="checkbox"/> Paid (n) <input type="checkbox"/> Accrued	Foreign taxes paid or accrued						(w) Other foreign taxes paid or accrued	(x) Total foreign taxes paid or accrued (add cols. (t) through (w))
		In foreign currency			In U.S. dollars				
		(o) Date paid or accrued	(p) Dividends	(q) Rents and royalties	(r) Interest	(s) Other foreign taxes paid or accrued	(t) Dividends			(u) Rents and royalties	(v) Interest
A	12/31/02							4,398	4,398
B									
C									
8 Add lines A through C, column (x). Enter the total here and on line 9, page 2 ▶								8	4,398

For Paperwork Reduction Act Notice, see page 16 of the instructions.

Cat. No. 11440U

Form **1116** (2002)

Part III Figuring the Credit

9	Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I	9	4,398		
10	Carryback or carryover (attach detailed computation)	10			
11	Add lines 9 and 10	11	4,398		
12	Reduction in foreign taxes (see page 13 of the instructions)	12	2,023		
13	Subtract line 12 from line 11. This is the total amount of foreign taxes available for credit	13			2,375
14	Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I (see page 14 of the instructions)	14	18,295		
15	Adjustments to line 14 (see page 14 of the instructions)	15			
16	Combine the amounts on lines 14 and 15. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 17 through 21. However, if you are filing more than one Form 1116, you must complete line 19.)	16	18,295		
17	Individuals: Enter the amount from Form 1040, line 39. If you are a nonresident alien, enter the amount from Form 1040NR, line 37. Estates and trusts: Enter your taxable income without the deduction for your exemption <i>Caution: If you figured your tax using the special rates on capital gains, see page 15 of the instructions.</i>	17	21,736		
18	Divide line 16 by line 17. If line 16 is more than line 17, enter "1"	18			.84
19	Individuals: Enter the amount from Form 1040, line 42. If you are a nonresident alien, enter the amount from Form 1040NR, line 40. Estates and trusts: Enter the total of Form 1041, Schedule G, lines 1a and 1b, or the total of Form 990-T, lines 36 and 37.	19			1,759
20	Multiply line 19 by line 18 (maximum amount of credit)	20			1,478
21	Enter the smaller of line 13 or line 20. If this is the only Form 1116 you are filing, skip lines 22 through 30 and enter this amount on line 31. Otherwise, complete the appropriate line in Part IV (see page 15 of the instructions) ▶	21			1,478

Part IV Summary of Credits From Separate Parts III (see page 16 of the instructions)

22	Credit for taxes on passive income	22			
23	Credit for taxes on high withholding tax interest	23			
24	Credit for taxes on financial services income	24			
25	Credit for taxes on shipping income	25			
26	Credit for taxes on dividends from a DISC or former DISC and certain distributions from a FSC or former FSC	26			
27	Credit for taxes on lump-sum distributions	27			
28	Credit for taxes on certain income re-sourced by treaty	28			
29	Credit for taxes on general limitation income	29			
30	Add lines 22 through 29	30			
31	Enter the smaller of line 19 or line 30	31			1,478
32	Reduction of credit for international boycott operations. See instructions for line 12 on page 13	32			0
33	Subtract line 32 from line 31. This is your foreign tax credit . Enter here and on Form 1040, line 45; Form 1040NR, line 43; Form 1041, Schedule G, line 2a; or Form 990-T, line 40a ▶	33			1,478

STUDENT NOTES

Lined area for student notes.



PART II

SELF EMPLOYMENT TAXES FORM 1040PR

INTRODUCTION

Self-employment tax (SE tax) is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners.

Social security benefits are available to people who are self-employed just as they are to wage earners. The payments of self-employment tax contribute to coverage under the social security system. Social security coverage provides retirement benefits, disability benefits, survivor benefits, and hospital insurance (Medicare) benefits. Self-employed taxpayers are not exempt from paying self-employment tax even if they are fully insured and receiving benefits under the social security system.

If a taxpayer has net earnings from self-employment of \$400 or more, he or she must pay self-employment tax. Residents of Puerto Rico who are not otherwise required to file a federal Form 1040 must file Form 1040-SS (English) or Form 1040-PR (Spanish) to report and pay self-employment tax. Taxpayers who must file a federal Form 1040 will use Schedule C and Schedule SE.

Estimated tax is the normal method used to pay SE tax. Taxpayers generally have to make estimated tax payments if they expect to owe tax of \$1,000 or more. If estimated tax payments are required but not paid, a penalty is assessed on the underpayment of tax. Estimated tax payments will be discussed in a later section.

1040PR SELF EMPLOYMENT TAX

WHO MUST PAY THE TAX

Anyone who carries on a trade or business normally must pay self-employment tax. A trade or business is generally an activity that is carried on for livelihood, or in good faith to make a profit. A profit does not actually have to be made each year as long as there is a profit motive. Areas considered important when making a determination that a person has a trade or business operating for profit are:

1. Regularity of the activities and transactions, and
2. Production of income

Taxpayers considered to be self-employed are sole proprietors, independent contractors, partnership members, and anyone who is in business for himself. The business activity does not have to be full time. Even if the taxpayer is retired and receiving social security benefits, his/her self-employment is subject to self-employment tax.

Some different kinds of self-employment are listed below. Refer to Publication 533, Self-Employment Tax, for additional information.

1. Part-time jobs such as working in your spare time fixing televisions and radios.
2. Professional—the income that a doctor or lawyer receives from his/her practice is self-employment income.
3. Independent contractor—a taxpayer who contracts with others to do work is an independent contractor.
4. Partners in partnerships must pay S.E. tax. For example, two brothers own and run a fruit stand together as partners. Each must include his share of income or loss in the partnership as self-employment income.
5. Sole proprietor—the taxpayer owns and runs a local restaurant. Income from the restaurant is self-employment.

Example 1

Alan Brito owns a small take out stand at Luquillo Beach, he works there on weekends. He has a full-time job during the week working for the Puerto Rican government. Alan's income from the take-out stand is considered self-employed income.

Example 2

Amanda sells Avon products to all her neighbors. Amanda is self-employed.

Example 3

Jose works for American Express as a service representative. Jose is an employee of American Express.

COMPUTATION OF SELF-EMPLOYMENT TAX

Once we determined who is liable for the tax, a computation must be made to determine how much of the income is subject to the tax. There are three steps to figure how much tax is owed.

1. Determine the net earnings from self-employment. Net earnings are the gross (total) income from self-employment less all deductions that apply to it.
2. Determine how much of the net earnings that must be taxed.
3. Multiply that amount (line 2 above) by the tax rates.

There are three ways to compute self-employment tax:

1. The regular Method
2. The Nonfarm Optional Method, and
3. The Farm Optional Method (this method is not discussed in the VITA training)

Regular Method

Most taxpayers will use this method to compute their S.E. tax. Taxpayers must use the regular method unless they are eligible to use one or both of the optional methods.

The first step in calculating the SE tax using this method is to determine the net profit.

If taxpayers have more than one trade or business, their net earnings from self-employment are the combined net earnings from all of the businesses. A loss in one business will reduce the income earned in another.

All allowable deductions, including depreciation, must be claimed. Making false statements to get or to increase social security benefits may subject the taxpayer to penalties. Net earnings from self-employment normally include all of the items of business income and deductions allowed for P.R. income tax purposes.

However, there are some deductions and exemptions that should not be included when the self-employment tax is computed.

Do Not Use

1. Deduction for personal exemptions for yourself, spouse, or dependents.
2. Any net operating loss deduction and,
3. Nonbusiness deductions, i.e., itemized deductions.

Example 4

A grocery store owner has the following items of income and expenses:

Gross profits from sales	\$57,400
Salaries paid	20,000
Rent	4,700
Heat, light, and telephone	2,400
Other expenses	1,900
Gain on sale of refrigerator	350
Fire loss on store building	1,200
Net operating loss carryover	1,000

To figure taxable income on the P.R. return, all of the above items would be used. However, to figure net earnings from self-employment on U.S. Form 1040-PR, use the following:

Gross profit on sales	\$57,400
Expense:	
Salaries	\$20,000
Rent	4,700
Light & telephone	2,400
Other expenses	<u>1,900</u>
Total expenses	\$29,000
Net profit	\$28,400



The \$28,400 is the net profit from self-employment; the sale of the refrigerator, the fire loss and the net operating loss carried over from a previous year are not included in the calculation. Even though all these items of income or loss are related to the business, they are not direct income or losses from the operation of the business, and therefore are not subject to S.E. tax.

The **second step** is to determine the net earnings from self-employment. To determine the net earnings, the net profit is multiplied by 92.35% (.9235).

Example 5

The net profit from Example 4 is multiplied by 92.35% (.9235). In this example the net earnings from self-employment will be \$26,227.

The **third and final step** is to determine the actual tax. The net earnings calculated should be multiplied by the current S.E. tax rates of 12.4% for social security tax and 2.9% (.029) medicare tax.

Example 6

The tax calculations for the grocery store owner in Example 4 will be computed as follows:

\$26,227	x	.124	=	\$3,252
\$26,227	x	.029	=	\$ 761
Total S.E. tax			=	\$4,013



Nonfarm Optional Method

By using the nonfarm optional method, a taxpayer can continue coverage for self-employment tax when his/her net profit for the year is small or he/she has a loss. But a taxpayer may not use this method to report an amount less than \$400 or the actual net earnings from self-employment. This method is normally desired by taxpayers who need additional quarters of credit to obtain social security benefit.

Taxpayers use the nonfarm optional method only for earnings that do not come from farming. All of the following tests must be met to use this method:

1. Net nonfarm profits must be less than \$1,600.
2. Net earnings from nonfarm self-employment are \$400 or more in at least 2 of the three years preceding the one for which this method is used.
3. The net nonfarm profits must be less than $\frac{2}{3}$ of gross nonfarm income.
4. The method has not been used in more than 4 previous years. The life time limit for any taxpayer is 5 years.

If the gross income from all nonfarm trade or business is \$2,400 or less, and the four tests above are met, the net earnings will be equal to two-thirds of the gross nonfarm income or the actual net earnings.



Example 7

Jose Lopez had actual net earnings of \$400 or more during 2000 and 2001 from working with the Loteria. He meets the test for regular self-employment. His earnings from the Loteria in 2002 are as follows:

Gross income	\$1,200
Net Earnings	400

Because his actual net earnings from self-employment are less than \$1,600 and less than two-thirds of his total nonfarm income, Jose may either report his actual net earnings of \$400 for 2002 or he may use the optional method to report \$800 (two-thirds).

Example 8

Assume that Jose had gross income of \$1,000 and net earnings of \$800. He must report his actual net earnings of \$800. The reason for this is that \$800 is more than two-thirds of his gross income (limitation 3).

Example 9

Assume the same facts as Example 7 except that Jose has a net loss of \$700. He may report two-thirds of \$1,200 (\$800) as net earnings under the nonfarm optional method.

If the gross income from all nonfarm trades or businesses is more than \$2,400 and all four tests (limitations) are met, the taxpayer may report \$1,600 as the net earnings from self-employment.

Example 10

Linda Silva runs a beauty salon. Her net earnings from self-employment in 2000 were \$19,500; and in 2001 \$9,500. She therefore meets the test for the regular method. Her earnings from self-employment for 2002 are as follows:

Gross income	\$2,800
Net Earnings	800

Because her actual net earnings from self-employment (\$800) are less than \$1,600 and less than two-thirds of her gross nonfarm income, Linda may choose to report \$1,600 as her net earnings from self-employment for 2002 or she may report \$800, under the regular method.

Example 11

Use the same facts in Example 10 except that her actual net profit for 2002 is \$1,700. She may not use the optional method and report \$1,600 as her net earned income from self-employment.

Example 12

Use the same facts in Example 10 except that Linda has a net loss of \$700 for 2002. She can use the optional method and report \$1,600 as her net earnings from self-employment.

COMPLETION OF FORM 1040-PR

Bona fide residents of P.R. will use Form 1040PR to report self-employment income earned in P.R. and to compute the self-employment tax due. Residents of P.R. who have income subject to U.S. tax and also have self-employment income earned in P.R. will use Schedule C and SE to report and pay the self-employment tax. An annotation will be made at the bottom of Schedule C and Form 1040 (For Self-Employment Tax Only.) to indicate that this self-employment income is not subject to U.S. federal income tax and that it is exempt under IRC 933. Enter 0 on line 12 of U.S. Form 1040.

The Form 1040-PR can be filed using the married filing jointly status. Use the table below to determine which parts of the form should be completed:

Exhibit 1

Part	SE Income Taxpayer Only	SE Income Spouse Only	SE Income Taxpayer & Spouse
I	X	X, if applicable	X
II	X, if applicable	X, if applicable	X, if applicable
III	NA For VITA	NA For VITA	NA For VITA
IV	X	X	Complete a separate Part IV for taxpayer and spouse
V	X	X	Complete a separate Part V for taxpayer and spouse.
VI	X, if applicable	X, if applicable	X, if applicable Complete a separate Part VI for taxpayer and spouse.

Example 13

Nick and Judith Hernandez are U.S. citizens and bona fide residents of P.R. They will file a joint return.

Judith earned \$9,645 as an employee of Banco de Hato Rey.

Nick is a self-employed carpenter. For 2002, he had gross receipts of \$10,000 and the following expenses:

Advertising	\$50
Supplies	\$250
Truck Expenses	\$1,825

Nick and Judith have 3 qualifying children for the additional child tax credit.

Children' Name	SSN	Relationship
Juan	000-00-4921	Son
Maria	000-00-6792	Daughter
Petra	000-00-3764	Daughter

Nick and Judith's 2002 Form 1040-PR will be completed as follows:



Forma 1040-PR Department of the Treasury Internal Revenue Service	Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos(as) para Residentes Bonafides de Puerto Rico) Para el año que comienza el primero de enero del 2002 y termina el 31 de diciembre del 2002, o cualquier otro año contributivo comenzado el del 2002 y terminado el del 20	OMB No. 1545-0090 <div style="font-size: 2em; font-weight: bold;">2002</div>																																													
Por favor, escriba a maquina o con letra de molde	Nombre e inicial de su segundo nombre Nick	Apellido Hernandez	Su número de seguro social 000 : 00 : 2644																																												
	Si es una planilla conjunta, nombre e inicial del cónyuge Judith	Apellido Hernandez	Número de seguro social del cónyuge 000 : 00 : 4121																																												
	Dirección actual (calle, número, número de apartamento o ruta rural) Lago Dr. Villa Casa #12																																														
	Ciudad, pueblo u oficina postal y zona postal "ZIP" Carolina, P.R. 00061																																														
Parte I Contribución y créditos totales																																															
1 Estado civil. Marque el encasillado para su estado civil. Vea la página 9 de las instrucciones. <input type="checkbox"/> Soltero(a) <input checked="" type="checkbox"/> Casado(a) que radica una planilla conjunta <input type="checkbox"/> Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶																																															
2 Hijos(as) calificados(as). Complete esta sección únicamente si usted es un residente bonafide de Puerto Rico y reclama el crédito tributario adicional por hijos(as). Vea la página X de las instrucciones.																																															
	(a) Nombre de pila	Apellido(s)	(b) Número del seguro social del hijo(a)																																												
	Juan		000 00 4921																																												
	Maria		000 00 6792																																												
	Petra		000 00 3764																																												
			(c) Parentesco del hijo(a) con usted																																												
			Son																																												
			Daughter																																												
			Daughter																																												
<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V</td> <td style="width:5%; text-align: center;">3</td> <td style="width:15%; text-align: right;">1,113</td> <td style="width:10%; text-align: right;">00</td> </tr> <tr> <td>4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)</td> <td style="text-align: center;">4</td> <td></td> <td></td> </tr> <tr> <td>5 Contribuciones totales. Sume las líneas 3 y 4.</td> <td style="text-align: center;">5</td> <td style="text-align: right;">1,113</td> <td style="text-align: right;">00</td> </tr> <tr> <td>6 Pagos hechos mediante declaración de contribución estimada del año 2002.</td> <td style="text-align: center;">6</td> <td></td> <td></td> </tr> <tr> <td>7 Contribución al seguro social retenida en exceso. Vea la página 8</td> <td style="text-align: center;">7</td> <td></td> <td></td> </tr> <tr> <td>8 Crédito tributario adicional por hijos(as) de la línea 3 de la Parte II</td> <td style="text-align: center;">8</td> <td style="text-align: right;">1,295</td> <td style="text-align: right;">00</td> </tr> <tr> <td>9 Pagos y créditos totales. Sume las líneas 6, 7 y 8</td> <td style="text-align: center;">9</td> <td style="text-align: right;">1,295</td> <td style="text-align: right;">00</td> </tr> <tr> <td>10 Si la línea 9 es mayor que la línea 5, anote aquí la cantidad pagada en exceso. ▶</td> <td style="text-align: center;">10</td> <td style="text-align: right;">182</td> <td style="text-align: right;">00</td> </tr> <tr> <td>11 Cantidad de la línea 10 que desea que se le reintegre ▶</td> <td style="text-align: center;">11</td> <td style="text-align: right;">182</td> <td style="text-align: right;">00</td> </tr> <tr> <td>12 Cantidad de la línea 10 que desea que se le acredite a la contribución estimada de 2003 ▶</td> <td style="text-align: center;">12</td> <td style="text-align: right;">182</td> <td style="text-align: right;">00</td> </tr> <tr> <td>13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución. Vea la página 5 ▶</td> <td style="text-align: center;">13</td> <td></td> <td></td> </tr> </table>				3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V	3	1,113	00	4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)	4			5 Contribuciones totales. Sume las líneas 3 y 4.	5	1,113	00	6 Pagos hechos mediante declaración de contribución estimada del año 2002.	6			7 Contribución al seguro social retenida en exceso. Vea la página 8	7			8 Crédito tributario adicional por hijos(as) de la línea 3 de la Parte II	8	1,295	00	9 Pagos y créditos totales. Sume las líneas 6, 7 y 8	9	1,295	00	10 Si la línea 9 es mayor que la línea 5, anote aquí la cantidad pagada en exceso ▶	10	182	00	11 Cantidad de la línea 10 que desea que se le reintegre ▶	11	182	00	12 Cantidad de la línea 10 que desea que se le acredite a la contribución estimada de 2003 ▶	12	182	00	13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución . Vea la página 5 ▶	13		
3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V	3	1,113	00																																												
4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)	4																																														
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13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución . Vea la página 5 ▶	13																																														
Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? <input type="checkbox"/> Sí. Complete lo siguiente. <input type="checkbox"/> No																																															
Nombre de esta persona ▶		Número de teléfono ▶ ()	Número de identificación personal (PIN) ▶																																												
Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que se acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del agente o preparador (que no es el contribuyente) está basada en toda la información sobre la cual el agente o preparador tenía conocimiento.																																															
¿Declaración conjunta? Vea la página 2. Conserve una copia para su archivo.																																															
Su firma	Fecha	Número del teléfono durante el día ()																																													
Firma del cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar.	Fecha																																														
Para uso del preparador remunerado solamente Firma del preparador ▶		Fecha	Marque aquí si el preparador trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN																																												
Nombre del negocio (o del preparador, si trabaja por cuenta propia), dirección y zona postal ▶		Número de identificación patronal																																													
		Número de teléfono ()																																													
Vea en la página 10 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma 1040-PR (2002)																																															

Parte II Residentes bonafides de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos(as). (Vea la página x de las instrucciones.)

1	Ingresos recibidos de fuentes dentro de Puerto Rico	1	17,520	00
2	Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499 R-2/W-2 PR ó W-2 (adjunte copia(s) de dicha(s) forma(s))	2	738	00
3	Crédito tributario adicional por hijos(as). Vea la hoja de cómputos en la página 7 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1	3	1,295	00

Parte III Ganancia o pérdida de negocio agropecuario

Nombre del propietario _____ Número de seguro social _____

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte III **por separado**. Vea las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B (Si usted usa el método de contabilidad a base de lo devengado, complete las **Secciones B y C**, así como la línea 11 de la **Sección A**.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

1	Venta de animales y otros artículos que usted compró para revender	1			
2	Costo u otra base de los animales y otros artículos que usted informó en la línea 1	2			
3	Reste la línea 2 de la línea 1	3			
4	Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó	4			
5a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a	5b	Cantidad tributable		
6	Pagos recibidos del programa de agricultura	6			
7	Préstamos por crédito sobre productos informados bajo elección (o decomisado)	7			
8	Ingreso de seguro de cosechas	8			
9	Ingreso de servicios prestados con equipo agrícola	9			
10	Otros ingresos	10			
11	Ingreso bruto agropecuario. Suma las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C ▶	11			

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

12	Gastos de automóvil o de camión (junte a esta planilla la Forma 4562)	12				25	Planes de pensión y de participación en las ganancias	25			
13	Productos químicos	13				26	Renta o alquiler:				
14	Gastos de conservación	14				a	Vehículos, maquinaria y equipo	26a			
15	Servicios de equipo agrícola	15				b	Otro (tierra, animales, etc.)	26b			
16	Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo)	16				27	Reparaciones y mantenimiento	27			
17	Programas de beneficios para los empleados, excepto los incluidos en la línea 25	17				28	Compra de semillas y plantas	28			
18	Compra de alimentos para animales	18				29	Gastos de almacenaje	29			
19	Fertilizantes y cal	19				30	Compra de materiales	30			
20	Fletes y acarreo	20				31	Contribuciones	31			
21	Gasolina, combustible y aceite	21				32	Servicios públicos (agua, electricidad, gas, etc.)	32			
22	Seguros (excepto de salud)	22				33	Honorarios pagados a veterinarios, cría y medicinas	33			
23	Intereses:					34	Otros gastos (especifique):				
a	Sobre hipotecas (pagados a bancos, etc.)	23a				a	.....	34a			
b	Otros	23b				b	.....	34b			
24	Mano de obra	24				c	.....	34c			
						d	.....	34d			
						e	.....	34e			
35	Total de gastos. Suma las líneas de la 12 a la 34e ▶	35									
36	Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V	36									

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

37	Venta de animales, productos agrícolas, granos y otros productos durante el año		37		
38a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR)	38a	38b	Cantidad tributable	
39	Pagos recibidos del programa de agricultura		39		
40	Préstamos por crédito sobre productos informados bajo elección (o decomisado)		40		
41	Ingreso de servicios prestados con equipo agrícola		41		
42	Otros ingresos de negocio agropecuario (especifique)		42		
43	Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive		43		
44	Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año	44			
45	Costo de animales, productos agrícolas, granos y otros productos comprados durante el año	45			
46	Sume las líneas 44 y 45	46			
47	Inventario de animales, productos agrícolas, granos y otros productos al final del año	47			
48	Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46*	48			
49	Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III.	49			

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

Nombre del propietario Nick Hernandez	Número de seguro social 000 : 00 : 2644
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte IV **por separado**. Vea las instrucciones.

Sección A—Ingresos

1	Total de ingresos \$	Menos devoluciones y descuentos \$	Balance	1	10,000	00
2a	Inventario al comenzar el año		2a			
b	Compras menos el costo de los artículos retirados del negocio para uso personal		2b			
c	Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo		2c			
d	Materiales y suministros		2d			
e	Otros costos (junte una explicación)		2e			
f	Sume las líneas de la 2a a la 2e		2f			
g	Inventario al final del año		2g			
h	Costo de mercancías vendidas. Reste la línea 2g de la línea 2f		2h			
3	Ganancia bruta. Reste la línea 2h de la línea 1		3	10,000	00	
4	Otros ingresos		4			
5	Ingreso bruto. Sume las líneas 3 y 4		5	10,000	00	

Sección B—Gastos

6	Anuncios y publicidad	6	50	00	19	Reparaciones y mantenimiento	19		
7	Deudas incobrables de ventas y servicios	7			20	Materiales (no incluidos en la Sección A)	20	250	00
8	Gastos de vehículos de motor (junte a esta planilla la Forma 4562)	8	1,825	00	21	Contribuciones y licencias	21		
9	Comisiones y cuotas	9			22	Gastos de viaje, comidas y entretenimiento:			
10	Agotamiento	10			a	Viajes	22a		
11	Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.)	11			b	Total de comidas y entretenimiento			
12	Programas para el beneficio de los empleados (excepto los incluidos en la línea 17)	12			c	Anote la cantidad no deducible incluida en la línea 22b			
13	Seguros (excepto de salud)	13			d	Reste la línea 22c de la línea 22b	22d		
14	Intereses sobre deudas del negocio	14			23	Servicios públicos (agua, electricidad, gas, etc.)	23		
15	Servicios legales y profesionales	15			24	Sueldos no incluidos en la línea 2c	24		
16	Gastos de oficina	16			25a	Otros gastos (indique tipo de gasto y cantidad):			
17	Planes de pensión y de participación en las ganancias	17							
18	Renta o alquiler:				b	Total de los otros gastos	25b		
a	Vehículos, maquinaria y equipo	18a			26	Total de gastos. Sume las líneas de la 6 a la 25b	26	2,125	00
b	Otra propiedad comercial	18b			27	Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2, de la Parte V	27	7,875	00

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado de una iglesia, vea la página 6 antes de seguir.

Nombre del individuo que recibió ingreso del trabajo por cuenta propia **Nick Hernandez** Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶ 000: 00 2644

Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, **cada uno** de ustedes debe llenar una Parte V **por separado**. Vea las instrucciones.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo **otras** ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

- 1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. **Nota:** No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8
- 2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 6 para las cantidades que tienen que informar en esta línea. **Nota:** No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8
- 3 Combine las líneas 1 y 2
- 4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3
- 4b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI
- 4c Combine las líneas 4a y 4b. Si es menos de \$400, usted **no adeuda** la contribución federal sobre el trabajo por cuenta propia. **Excepción:** Si es menos de \$400 y usted tenía ingreso como empleado de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶
- 5a Anote su ingreso como empleado de una iglesia de la(s) Forma(s) 499 R-2/W-2 PR o W-2
- 5b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0-
- 6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶
- 7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en 2002
- 8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499 R-2/W-2 PR o W-2
- 8b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137. Vea la página 8
- 8c Sume las líneas 8a y 8b
- 9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶
- 10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9
- 11 Multiplique por el 2.9% (.029) la cantidad de la línea 6
- 12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11 . Vea la página 7

1		
2	7,875	00
3	7,875	00
4a	7,273	00
4b		
4c	7,273	00
5a		
5b		
6	7,273	00
7	\$84,900	00
8a		
8b		
8c		
9	84,900	00
10	902	00
11	211	00
12	1,113	00

Parte VI Métodos opcionales para computar la ganancia neta Vea la página 8 para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, **cada uno** de ustedes debe llenar y adjuntar una Parte VI **por separado**. Vea las instrucciones.

Método opcional—Negocio agropecuario.		
1	Ingreso máximo para los efectos de los métodos opcionales	\$1,600 00
2	Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba	
Método opcional—Negocio no agropecuario.		
3	Reste la línea 2 de la línea 1	
4	Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba	

Estimated Tax

Estimated tax is the method used to pay SE tax. Taxpayers generally have to make estimated tax payments if they expect to owe \$1,000 or more when they file their return.

The estimated tax is made on a quarterly basis. The payment due dates are April 15, June 15, September 15, and January 15 of each year. Equal payments are made for each quarterly payment period. If a taxpayer does not owe tax for the first quarter(s), or the taxpayer begins doing business in the middle of the year, he/she should make estimated tax payments for the quarters remaining.

If the taxpayer is required to make estimated payments and fails to do so, he/she may be subject to a penalty for underpayment of estimated tax. The penalty is computed on Form 2210. The penalty rates is determined each year by using the interest rate prevailing on certain dates during this year. Remember that for 2003, if the taxpayer estimates his/her S.E. tax to be more than \$1,000, he/she is required to make estimated payments.

Computing the Estimated Tax

The estimated tax worksheet should be used to determine the estimated S.E. tax.

The worksheet is included in Form 1040-ES (Espanol).

A record of payment should be kept to help verify the payments reported on Form 1040PR at the end of the year. The record should include the date of the payment, the amount, credits for the amounts carried over from the prior years and the net payment due for the quarter. Form 1040-ES (Espanol) includes a table for this purpose.



Exercise 1

Manuel Verdolaga worked for the Loteria in 2002 and had gross income of \$7,000. He had the following expenses:

Rent	\$1,000
Supplies	200

He made timely estimated tax payments totaling \$650.

Prepare Manuel's 2002 Form 1040-PR.

Parte II Residentes bonafides de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos(as). (Vea la página x de las instrucciones.)

1	Ingresos recibidos de fuentes dentro de Puerto Rico	1		
2	Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499 R-2/W-2 PR ó W-2 (adjunte copia(s) de dicha(s) forma(s))	2		
3	Crédito tributario adicional por hijos(as). Vea la hoja de cómputos en la página 7 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1	3		

Parte III Ganancia o pérdida de negocio agropecuario

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte III **por separado**. Vea las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B (Si usted usa el método de contabilidad a base de lo devengado, complete las **Secciones B y C**, así como la línea 11 de la **Sección A**.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

1	Venta de animales y otros artículos que usted compró para revender	1			
2	Costo u otra base de los animales y otros artículos que usted informó en la línea 1	2			
3	Reste la línea 2 de la línea 1	3			
4	Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó	4			
5a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a	5b	Cantidad tributable		
6	Pagos recibidos del programa de agricultura	6			
7	Préstamos por crédito sobre productos informados bajo elección (o decomisado)	7			
8	Ingreso de seguro de cosechas	8			
9	Ingreso de servicios prestados con equipo agrícola	9			
10	Otros ingresos	10			
11	Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C ▶	11			

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado
No incluya gastos personales o de mantención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

12	Gastos de automóvil o de camión (junte a esta planilla la Forma 4562)	12			25	Planes de pensión y de participación en las ganancias	25		
13	Productos químicos	13			26	Renta o alquiler:	26		
14	Gastos de conservación	14			a	Vehículos, maquinaria y equipo	26a		
15	Servicios de equipo agrícola	15			b	Otro (tierra, animales, etc.)	26b		
16	Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo)	16			27	Reparaciones y mantenimiento	27		
17	Programas de beneficios para los empleados, excepto los incluidos en la línea 25	17			28	Compra de semillas y plantas	28		
18	Compra de alimentos para animales	18			29	Gastos de almacenaje	29		
19	Fertilizantes y cal	19			30	Compra de materiales	30		
20	Fletes y acarreo	20			31	Contribuciones	31		
21	Gasolina, combustible y aceite	21			32	Servicios públicos (agua, electricidad, gas, etc.)	32		
22	Seguros (excepto de salud)	22			33	Honorarios pagados a veterinarios, cría y medicinas	33		
23	Intereses:	23a			34	Otros gastos (especifique):	34		
a	Sobre hipotecas (pagados a bancos, etc.)	23a			a	.....	34a		
b	Otros	23b			b	.....	34b		
24	Mano de obra	24			c	.....	34c		
35	Total de gastos. Sume las líneas de la 12 a la 34e ▶	35			d	.....	34d		
36	Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V	36			e	.....	34e		

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

37	Venta de animales, productos agrícolas, granos y otros productos durante el año	37	
38a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 38a	38b	Cantidad tributable
39	Pagos recibidos del programa de agricultura	39	
40	Préstamos por crédito sobre productos informados bajo elección (o decomisado)	40	
41	Ingreso de servicios prestados con equipo agrícola	41	
42	Otros ingresos de negocio agropecuario (especifique)	42	
43	Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive	43	
44	Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año	44	
45	Costo de animales, productos agrícolas, granos y otros productos comprados durante el año	45	
46	Sume las líneas 44 y 45	46	
47	Inventario de animales, productos agrícolas, granos y otros productos al final del año	47	
48	Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46*	48	
49	Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III. ▶	49	

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, **cada uno** de ustedes debe llenar y adjuntar una Parte IV **por separado**. Vea las instrucciones.

Sección A—Ingresos

1	Total de ingresos \$	Menos devoluciones y descuentos \$	Balance	▶	1	
2a	Inventario al comenzar el año	2a				
b	Compras menos el costo de los artículos retirados del negocio para uso personal	2b				
c	Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo	2c				
d	Materiales y suministros	2d				
e	Otros costos (junte una explicación)	2e				
f	Sume las líneas de la 2a a la 2e	2f				
g	Inventario al final del año	2g				
h	Costo de mercancías vendidas. Reste la línea 2g de la línea 2f	2h				
3	Ganancia bruta. Reste la línea 2h de la línea 1.	3				
4	Otros ingresos	4				
5	Ingreso bruto. Suma las líneas 3 y 4. ▶	5				

Sección B—Gastos

6	Anuncios y publicidad	6		19	Reparaciones y mantenimiento	19	
7	Deudas incobrables de ventas y servicios	7		20	Materiales (no incluidos en la Sección A)	20	
8	Gastos de vehículos de motor (junte a esta planilla la Forma 4562)	8		21	Contribuciones y licencias	21	
9	Comisiones y cuotas	9		22	Gastos de viaje, comidas y entretenimiento:		
10	Agotamiento	10		a	Viajes	22a	
11	Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.)	11		b	Total de comidas y entretenimiento		
12	Programas para el beneficio de los empleados (excepto los incluidos en la línea 17)	12		c	Anote la cantidad no deducible incluida en la línea 22b		
13	Seguros (excepto de salud)	13		d	Reste la línea 22c de la línea 22b	22d	
14	Intereses sobre deudas del negocio	14		23	Servicios públicos (agua, electricidad, gas, etc.)	23	
15	Servicios legales y profesionales	15		24	Sueldos no incluidos en la línea 2c	24	
16	Gastos de oficina	16		25a	Otros gastos (indique tipo de gasto y cantidad):		
17	Planes de pensión y de participación en las ganancias	17					
18	Renta o alquiler:						
a	Vehículos, maquinaria y equipo	18a		b	Total de los otros gastos	25b	
b	Otra propiedad comercial	18b					
26	Total de gastos. Suma las líneas de la 6 a la 25b. ▶	26		27	Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2, de la Parte V	27	

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado de una iglesia, vea la página 6 antes de seguir.

Nombre del individuo que recibió ingreso del trabajo por cuenta propia	Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶
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Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, **cada uno** de ustedes debe llenar una Parte V **por separado**. Vea las instrucciones.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo **otras** ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36 , Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8	1		
2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27 , Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 6 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8	2		
3 Combine las líneas 1 y 2	3		
4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3	4a		
b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI	4b		
c Combine las líneas 4a y 4b . Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶	4c		
5a Anote su ingreso como empleado de una iglesia de la(s) Forma(s) 499 R-2/W-2 PR o W-2	5a		
b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0-	5b		
6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶	6		
7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en 2002	7	\$84,900	00
8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499 R-2/W-2 PR o W-2	8a		
b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137. Vea la página 8	8b		
c Sume las líneas 8a y 8b	8c		
9 Reste la línea 8c de la línea 7 . Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶	9		
10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9	10		
11 Multiplique por el 2.9% (.029) la cantidad de la línea 6	11		
12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11 . Vea la página 7	12		

Parte VI Métodos opcionales para computar la ganancia neta Vea la página **8** para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, **cada uno** de ustedes debe llenar y adjuntar una Parte VI **por separado**. Vea las instrucciones.

Método opcional—Negocio agropecuario.			
1 Ingreso máximo para los efectos de los métodos opcionales	1	\$1,600	00
2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11 , Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba	2		
Método opcional—Negocio no agropecuario.			
3 Reste la línea 2 de la línea 1	3		
4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio de la línea 5 , Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 , arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba	4		

COMPREHENSIVE PROBLEM

Pablo and Maria Sultan are U.S. citizens and bona fide residents of P.R. They will file a joint tax return.

Maria earned \$15,675 as an employee of a local resort hotel. Maria's form W-2PR shows social security tax withheld of \$972 and medicare tax withheld of \$227.

Pablo is a self-employed accountant who had \$10,600 in gross income and the following expenses:

Rent	\$1,500
Supplies	250
Advertising	250
Utilities	200

Pablo and Maria have 3 qualifying children for the additional child tax credit. The children's information is:

Trevor	000-00-3215	Son
Miguel	000-00-6821	Son
Jose	000-00-1598	Son

Pablo and Maria made 4 timely estimated tax payments of \$150 each.

Prepare Pablo and Maria's 2002 Form 1040PR.



Forma **1040-PR**

Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos(as) para Residentes Bonafides de Puerto Rico)

OMB No. 1545-0090

2002

Department of the Treasury
Internal Revenue Service

Para el año que comienza el primero de enero del 2002 y termina el 31 de diciembre del 2002, o cualquier otro año contributivo comenzado el del 2002 y terminado el del 20

Por favor, escriba a maquina o con letra de molde	Nombre e inicial de su segundo nombre	Apellido	Su número de seguro social
	Si es una planilla conjunta, nombre e inicial del cónyuge	Apellido	Número de seguro social del cónyuge
	Dirección actual (calle, número, número de apartamento o ruta rural)		
	Ciudad, pueblo u oficina postal y zona postal "ZIP"		

Parte I Contribución y créditos totales

1 Estado civil. Marque el encasillado para su estado civil. Vea la página 9 de las instrucciones.

- Soltero(a)
- Casado(a) que radica una planilla conjunta
- Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶ _____

2 Hijos(as) calificados(as). Complete esta sección **únicamente** si usted es un residente bonafide de Puerto Rico y reclama el crédito tributario adicional por hijos(as). Vea la página X de las instrucciones.

(a) Nombre de pila	Apellido(s)	(b) Número del seguro social del hijo(a)	(c) Parentesco del hijo(a) con usted

3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V	3	
4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)	4	
5 Contribuciones totales. Sume las líneas 3 y 4.	5	
6 Pagos hechos mediante declaración de contribución estimada del año 2002	6	
7 Contribución al seguro social retenida en exceso. Vea la página 8	7	
8 Crédito tributario adicional por hijos(as) de la línea 3 de la Parte II	8	
9 Pagos y créditos totales. Sume las líneas 6, 7 y 8	9	
10 Si la línea 9 es mayor que la línea 5, anote aquí la cantidad pagada en exceso ▶	10	
11 Cantidad de la línea 10 que desea que se le reintegre ▶	11	
12 Cantidad de la línea 10 que desea que se le acredite a la contribución estimada de 2003 ▶	12	
13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución. Vea la página 5 ▶	13	

Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? . . . **Sí.** Complete lo siguiente. **No**

Nombre de esta persona ▶ _____ Número de teléfono ▶ () _____ Número de identificación personal (PIN) ▶ _____

Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que se acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del agente o preparador (que no es el contribuyente) está basada en toda la información sobre la cual el agente o preparador tenía conocimiento.

¿Declaración conjunta? Vea la página 2. Conserve una copia para su archivo.

Su firma	Fecha	Número del teléfono durante el día ()
Firma del cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar.	Fecha	

Para uso del preparador remunerado solamente

Firma del preparador	Fecha	Marque aquí si el preparador trabaja por cuenta propia <input type="checkbox"/>	SSN o PTIN
Nombre del negocio (o del preparador, si trabaja por cuenta propia), dirección y zona postal		Número de identificación patronal	
		Número de teléfono ()	

Vea en la página 10 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma **1040-PR** (2002)

Parte II Residentes bonafides de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos(as). (Vea la página x de las instrucciones.)

1	Ingresos recibidos de fuentes dentro de Puerto Rico	1		
2	Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499 R-2/W-2 PR ó W-2 (adjunte copia(s) de dicha(s) forma(s))	2		
3	Crédito tributario adicional por hijos(as). Vea la hoja de cómputos en la página 7 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1	3		

Parte III Ganancia o pérdida de negocio agropecuario

Nombre del propietario	Número de seguro social

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte III **por separado**. Vea las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
(Si usted usa el método de contabilidad a base de lo devengado, complete las **Secciones B y C**, así como la línea 11 de la **Sección A**.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

1	Venta de animales y otros artículos que usted compró para revender	1			
2	Costo u otra base de los animales y otros artículos que usted informó en la línea 1	2			
3	Reste la línea 2 de la línea 1	3			
4	Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó	4			
5a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR)	5a		5b	Cantidad tributable
6	Pagos recibidos del programa de agricultura	6			
7	Préstamos por crédito sobre productos informados bajo elección (o decomisado)	7			
8	Ingreso de seguro de cosechas	8			
9	Ingreso de servicios prestados con equipo agrícola	9			
10	Otros ingresos	10			
11	Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C ▶	11			

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado

No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

12	Gastos de automóvil o de camión (junte a esta planilla la Forma 4562)	12				25	Planes de pensión y de participación en las ganancias	25		
13	Productos químicos	13				26	Renta o alquiler:			
14	Gastos de conservación	14				a	Vehículos, maquinaria y equipo.	26a		
15	Servicios de equipo agrícola	15				b	Otro (tierra, animales, etc.)	26b		
16	Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo)	16				27	Reparaciones y mantenimiento	27		
17	Programas de beneficios para los empleados, excepto los incluidos en la línea 25	17				28	Compra de semillas y plantas	28		
18	Compra de alimentos para animales	18				29	Gastos de almacenaje	29		
19	Fertilizantes y cal	19				30	Compra de materiales	30		
20	Fletes y acarreo	20				31	Contribuciones,	31		
21	Gasolina, combustible y aceite	21				32	Servicios públicos (agua, electricidad, gas, etc.)	32		
22	Seguros (excepto de salud),	22				33	Honorarios pagados a veterinarios, cría y medicinas	33		
23	Intereses:					34	Otros gastos (especifique):			
a	Sobre hipotecas (pagados a bancos, etc.)	23a				a	.....	34a		
b	Otros	23b				b	.....	34b		
24	Mano de obra	24				c	.....	34c		
						d	.....	34d		
						e	.....	34e		
35	Total de gastos. Sume las líneas de la 12 a la 34e ▶	35								
36	Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V	36								

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

37	Venta de animales, productos agrícolas, granos y otros productos durante el año		37	
38a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR)	38a	38b	Cantidad tributable
39	Pagos recibidos del programa de agricultura		39	
40	Préstamos por crédito sobre productos informados bajo elección (o decomisado)		40	
41	Ingreso de servicios prestados con equipo agrícola		41	
42	Otros ingresos de negocio agropecuario (especifique)		42	
43	Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive		43	
44	Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año	44		
45	Costo de animales, productos agrícolas, granos y otros productos comprados durante el año	45		
46	Sume las líneas 44 y 45	46		
47	Inventario de animales, productos agrícolas, granos y otros productos al final del año	47		
48	Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46*		48	
49	Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III		49	

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, **cada uno** de ustedes debe llenar y adjuntar una Parte IV **por separado**. Vea las instrucciones.

Sección A—Ingresos

1	Total de ingresos \$	Menos devoluciones y descuentos \$	Balance	1
2a	Inventario al comenzar el año	2a		
b	Compras menos el costo de los artículos retirados del negocio para uso personal	2b		
c	Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo	2c		
d	Materiales y suministros	2d		
e	Otros costos (junte una explicación)	2e		
f	Sume las líneas de la 2a a la 2e	2f		
g	Inventario al final del año	2g		
h	Costo de mercancías vendidas. Reste la línea 2g de la línea 2f		2h	
3	Ganancia bruta. Reste la línea 2h de la línea 1		3	
4	Otros ingresos		4	
5	Ingreso bruto. Sume las líneas 3 y 4		5	

Sección B—Gastos

6	Anuncios y publicidad	6	19	Reparaciones y mantención	19
7	Deudas incobrables de ventas y servicios	7	20	Materiales (no incluidos en la Sección A)	20
8	Gastos de vehículos de motor (junte a esta planilla la Forma 4562)	8	21	Contribuciones y licencias	21
9	Comisiones y cuotas	9	22	Gastos de viaje, comidas y entretenimiento:	
10	Agotamiento	10	a	Viajes	22a
11	Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.)	11	b	Total de comidas y entretenimiento	
12	Programas para el beneficio de los empleados (excepto los incluidos en la línea 17)	12	c	Anote la cantidad no deducible incluida en la línea 22b	22b
13	Seguros (excepto de salud)	13	d	Reste la línea 22c de la línea 22b	22d
14	Intereses sobre deudas del negocio	14	23	Servicios públicos (agua, electricidad, gas, etc.)	23
15	Servicios legales y profesionales	15	24	Sueldos no incluidos en la línea 2c	24
16	Gastos de oficina	16	25a	Otros gastos (indique tipo de gasto y cantidad):	
17	Planes de pensión y de participación en las ganancias	17			
18	Renta o alquiler:		b	Total de los otros gastos	25b
a	Vehículos, maquinaria y equipo	18a			
b	Otra propiedad comercial	18b			
26	Total de gastos. Sume las líneas de la 6 a la 25b		26		
27	Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2, de la Parte V		27		

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado de una iglesia, vea la página 6 antes de seguir.

Nombre del individuo que recibió ingreso del trabajo por cuenta propia	Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶	
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Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, *cada uno* de ustedes debe llenar una Parte V *por separado*. Vea las instrucciones.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo **otras** ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8	1		
2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 6 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8	2		
3 Combine las líneas 1 y 2	3		
4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3	4a		
b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI	4b		
c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶	4c		
5a Anote su ingreso como empleado de una iglesia de la(s) Forma(s) 499 R-2/W-2 PR o W-2	5a		
b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0-	5b		
6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶	6		
7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en 2002	7	\$84,900	00
8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499 R-2/W-2 PR o W-2	8a		
b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137. Vea la página 8	8b		
c Sume las líneas 8a y 8b	8c		
9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶	9		
10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9	10		
11 Multiplique por el 2.9% (.029) la cantidad de la línea 6	11		
12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11 . Vea la página 7	12		

Parte VI Métodos opcionales para computar la ganancia neta Vea la página 8 para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, *cada uno* de ustedes debe llenar y adjuntar una Parte VI *por separado*. Vea las instrucciones.

Método opcional—Negocio agropecuario.			
1 Ingreso máximo para los efectos de los métodos opcionales	1	\$1,600	00
2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba	2		
Método opcional—Negocio no agropecuario.			
3 Reste la línea 2 de la línea 1	3		
4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba	4		

Forma 1040-PR Department of the Treasury Internal Revenue Service	Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos(as) para Residentes Bonafides de Puerto Rico) Para el año que comienza el primero de enero del 2002 y termina el 31 de diciembre del 2002, o cualquier otro año contributivo comenzado el _____ del 2002 y terminado el _____ del 20____	OMB No. 1545-0090 <div style="font-size: 2em; font-weight: bold; text-align: center;">2002</div>																																													
Por favor, escriba a maquina o con letra de molde	Nombre e inicial de su segundo nombre Manuel	Apellido Verdolaga	Su número de seguro social 000 00 8222																																												
	Si es una planilla conjunta, nombre e inicial del cónyuge	Apellido	Número de seguro social del cónyuge																																												
	Dirección actual (calle, número, número de apartamento o ruta rural)																																														
	Ciudad, pueblo u oficina postal y zona postal "ZIP"																																														
Parte I Contribución y créditos totales																																															
1 Estado civil. Marque el encasillado para su estado civil. Vea la página 9 de las instrucciones. <input type="checkbox"/> Soltero(a) <input checked="" type="checkbox"/> Casado(a) que radica una planilla conjunta <input type="checkbox"/> Casado(a) que radica una planilla por separado. Anote arriba el número de seguro social de su cónyuge y su nombre completo aquí. ▶ _____																																															
2 Hijos(as) calificados(as). Complete esta sección únicamente si usted es un residente bonafide de Puerto Rico y reclama el crédito tributario adicional por hijos(as). Vea la página X de las instrucciones.																																															
(a) Nombre de pila	Apellido(s)	(b) Número del seguro social del hijo(a)	(c) Parentesco del hijo(a) con usted																																												
<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V</td> <td style="width:5%; text-align: center;">3</td> <td style="width:15%; text-align: right;">819</td> <td style="width:10%; text-align: right;">00</td> </tr> <tr> <td>4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)</td> <td style="text-align: center;">4</td> <td></td> <td></td> </tr> <tr> <td>5 Contribuciones totales. Sume las líneas 3 y 4.</td> <td style="text-align: center;">5</td> <td style="text-align: right;">819</td> <td style="text-align: right;">00</td> </tr> <tr> <td>6 Pagos hechos mediante declaración de contribución estimada del año 2002</td> <td style="text-align: center;">6</td> <td style="text-align: right;">650</td> <td style="text-align: right;">00</td> </tr> <tr> <td>7 Contribución al seguro social retenida en exceso. Vea la página 8</td> <td style="text-align: center;">7</td> <td></td> <td></td> </tr> <tr> <td>8 Crédito tributario adicional por hijos(as) de la línea 3 de la Parte II</td> <td style="text-align: center;">8</td> <td></td> <td></td> </tr> <tr> <td>9 Pagos y créditos totales. Sume las líneas 6, 7 y 8</td> <td style="text-align: center;">9</td> <td style="text-align: right;">650</td> <td style="text-align: right;">00</td> </tr> <tr> <td>10 Si la línea 9 es mayor que la línea 5, anote aquí la cantidad pagada en exceso ▶</td> <td style="text-align: center;">10</td> <td></td> <td></td> </tr> <tr> <td>11 Cantidad de la línea 10 que desea que se le reintegre ▶</td> <td style="text-align: center;">11</td> <td></td> <td></td> </tr> <tr> <td>12 Cantidad de la línea 10 que desea que se le acredite a la contribución estimada de 2003 ▶</td> <td style="text-align: center;">12</td> <td></td> <td></td> </tr> <tr> <td>13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución. Vea la página 5 . . . ▶</td> <td style="text-align: center;">13</td> <td style="text-align: right;">169</td> <td style="text-align: right;">00</td> </tr> </table>				3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V	3	819	00	4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)	4			5 Contribuciones totales. Sume las líneas 3 y 4.	5	819	00	6 Pagos hechos mediante declaración de contribución estimada del año 2002	6	650	00	7 Contribución al seguro social retenida en exceso. Vea la página 8	7			8 Crédito tributario adicional por hijos(as) de la línea 3 de la Parte II	8			9 Pagos y créditos totales. Sume las líneas 6, 7 y 8	9	650	00	10 Si la línea 9 es mayor que la línea 5, anote aquí la cantidad pagada en exceso ▶	10			11 Cantidad de la línea 10 que desea que se le reintegre ▶	11			12 Cantidad de la línea 10 que desea que se le acredite a la contribución estimada de 2003 ▶	12			13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución. Vea la página 5 . . . ▶	13	169	00
3 Contribución sobre el trabajo por cuenta propia de la línea 12 de la Parte V	3	819	00																																												
4 Contribuciones por empleados domésticos. Adjunte el Anejo H-PR (Forma 1040-PR)	4																																														
5 Contribuciones totales. Sume las líneas 3 y 4.	5	819	00																																												
6 Pagos hechos mediante declaración de contribución estimada del año 2002	6	650	00																																												
7 Contribución al seguro social retenida en exceso. Vea la página 8	7																																														
8 Crédito tributario adicional por hijos(as) de la línea 3 de la Parte II	8																																														
9 Pagos y créditos totales. Sume las líneas 6, 7 y 8	9	650	00																																												
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13 Si la línea 5 es mayor que la línea 9, anote aquí el monto no pagado de la contribución. Vea la página 5 . . . ▶	13	169	00																																												
Tercero Autorizado ¿Desea permitir que otra persona discuta esta planilla con el IRS (vea las instrucciones)? . . . <input type="checkbox"/> Sí. Complete lo siguiente. <input type="checkbox"/> No																																															
Nombre de esta persona ▶	Número de teléfono ▶ ()	Número de identificación personal (PIN) ▶																																													
Sírvase firmar aquí Declaro bajo las penalidades de perjurio que esta planilla, incluyendo los anexos y demás documentos que se acompañan, ha sido examinada por mí y que según mi mejor conocimiento y creencia es cierta, correcta y completa. La declaración del agente o preparador (que no es el contribuyente) está basada en toda la información sobre la cual el agente o preparador tenía conocimiento.																																															
¿Declaración conjunta? Vea la página 2. Conserve una copia para su archivo.	Su firma	Fecha	Número del teléfono durante el día ()																																												
	Firma del cónyuge. Si radica conjuntamente, ambos cónyuges deben firmar.	Fecha																																													
Para uso del preparador remunerado solamente	Firma del preparador ▶	Fecha	Marque aquí si el preparador trabaja por cuenta propia <input type="checkbox"/> SSN o PTIN																																												
	Nombre del negocio (o del preparador, si trabaja por cuenta propia), dirección y zona postal ▶		Número de identificación patronal																																												
			Número de teléfono ()																																												
Vea en la página 10 el Aviso sobre la Ley de Confidencialidad de Información y la Ley de Reducción de Trámites. Cat. No. 17182F Forma 1040-PR (2002)																																															

Parte II Residentes bonafides de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos(as). (Vea la página x de las instrucciones.)

1	Ingresos recibidos de fuentes dentro de Puerto Rico	1		
2	Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499 R-2/W-2 PR ó W-2 (adjunte copia(s) de dicha(s) forma(s))	2		
3	Crédito tributario adicional por hijos(as). Vea la hoja de cómputos en la página 7 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1	3		

Parte III Ganancia o pérdida de negocio agropecuario

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte III **por separado**. Vea las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B (Si usted usa el método de contabilidad a base de lo devengado, complete las **Secciones B y C**, así como la línea 11 de la **Sección A**.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

1	Venta de animales y otros artículos que usted compró para revender	1			
2	Costo u otra base de los animales y otros artículos que usted informó en la línea 1	2			
3	Reste la línea 2 de la línea 1	3			
4	Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó	4			
5a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR) 5a	5b	Cantidad tributable		
6	Pagos recibidos del programa de agricultura	6			
7	Préstamos por crédito sobre productos informados bajo elección (o decomisado)	7			
8	Ingreso de seguro de cosechas	8			
9	Ingreso de servicios prestados con equipo agrícola	9			
10	Otros ingresos	10			
11	Ingreso bruto agropecuario. Sume las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C ▶	11			

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado

No incluya gastos personales o de manutención (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

12	Gastos de automóvil o de camión (junte a esta planilla la Forma 4562)	12			
13	Productos químicos	13			
14	Gastos de conservación	14			
15	Servicios de equipo agrícola	15			
16	Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo)	16			
17	Programas de beneficios para los empleados, excepto los incluidos en la línea 25	17			
18	Compra de alimentos para animales	18			
19	Fertilizantes y cal	19			
20	Fletes y acarreo	20			
21	Gasolina, combustible y aceite	21			
22	Seguros (excepto de salud).	22			
23	Intereses:				
a	Sobre hipotecas (pagados a bancos, etc.)	23a			
b	Otros	23b			
24	Mano de obra	24			
25	Planes de pensión y de participación en las ganancias	25			
26	Renta o alquiler:				
a	Vehículos, maquinaria y equipo.	26a			
b	Otro (tierra, animales, etc.)	26b			
27	Reparaciones y mantenimiento	27			
28	Compra de semillas y plantas	28			
29	Gastos de almacenaje	29			
30	Compra de materiales	30			
31	Contribuciones.	31			
32	Servicios públicos (agua, electricidad, gas, etc.)	32			
33	Honorarios pagados a veterinarios, cría y medicinas	33			
34	Otros gastos (especifique):				
a	.....	34a			
b	.....	34b			
c	.....	34c			
d	.....	34d			
e	.....	34e			
35	Total de gastos. Sume las líneas de la 12 a la 34e ▶	35			
36	Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V	36			

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

37	Venta de animales, productos agrícolas, granos y otros productos durante el año			37		
38a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR)	38a		38b	Cantidad tributable	
39	Pagos recibidos del programa de agricultura			39		
40	Préstamos por crédito sobre productos informados bajo elección (o decomisado)			40		
41	Ingreso de servicios prestados con equipo agrícola			41		
42	Otros ingresos de negocio agropecuario (especifique)			42		
43	Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive			43		
44	Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año	44				
45	Costo de animales, productos agrícolas, granos y otros productos comprados durante el año	45				
46	Sume las líneas 44 y 45	46				
47	Inventario de animales, productos agrícolas, granos y otros productos al final del año	47				
48	Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46*			48		
49	Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III . ▶			49		

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte IV **por separado**. Vea las instrucciones.

Sección A—Ingresos

1	Total de ingresos \$	Menos devoluciones y descuentos \$	Balance ▶	1	7,000	00
2a	Inventario al comenzar el año		2a			
b	Compras menos el costo de los artículos retirados del negocio para uso personal		2b			
c	Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo		2c			
d	Materiales y suministros		2d			
e	Otros costos (junte una explicación)		2e			
f	Sume las líneas de la 2a a la 2e		2f			
g	Inventario al final del año		2g			
h	Costo de mercancías vendidas. Reste la línea 2g de la línea 2f		2h			
3	Ganancia bruta. Reste la línea 2h de la línea 1.		3	7,000	00	
4	Otros ingresos		4			
5	Ingreso bruto. Sume las líneas 3 y 4 . ▶		5	7,000	00	

Sección B—Gastos

6	Anuncios y publicidad	6		19	Reparaciones y mantenimiento	19		
7	Deudas incobrables de ventas y servicios	7		20	Materiales (no incluidos en la Sección A)	20	200	00
8	Gastos de vehículos de motor (junte a esta planilla la Forma 4562)	8		21	Contribuciones y licencias	21		
9	Comisiones y cuotas	9		22	Gastos de viaje, comidas y entretenimiento:			
10	Agotamiento	10		a	Viajes	22a		
11	Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.)	11		b	Total de comidas y entretenimiento			
12	Programas para el beneficio de los empleados (excepto los incluidos en la línea 17)	12		c	Anote la cantidad no deducible incluida en la línea 22b	22b		
13	Seguros (excepto de salud)	13		d	Reste la línea 22c de la línea 22b	22d		
14	Intereses sobre deudas del negocio	14		23	Servicios públicos (agua, electricidad, gas, etc.)	23		
15	Servicios legales y profesionales	15		24	Sueldos no incluidos en la línea 2c	24		
16	Gastos de oficina	16		25a	Otros gastos (indique tipo de gasto y cantidad):			
17	Planes de pensión y de participación en las ganancias	17						
18	Renta o alquiler:							
a	Vehículos, maquinaria y equipo	18a						
b	Otra propiedad comercial	18b	1,000	00	b	Total de los otros gastos	25b	
26	Total de gastos. Sume las líneas de la 6 a la 25b . ▶	26			26	1,200	00	
27	Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2, de la Parte V	27			27	5,800	00	

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado de una iglesia, vea la página 6 antes de seguir.

Nombre del individuo que recibió ingreso del trabajo por cuenta propia	Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶	
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Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, **cada uno** de ustedes debe llenar una Parte V **por separado**. Vea las instrucciones.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radicó la Forma 4361, pero obtuvo **otras** ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36 , Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8			
2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27 , Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 6 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8		5,800	00
3 Combine las líneas 1 y 2		5,800	00
4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3		5,356	00
b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI			
c Combine las líneas 4a y 4b . Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶		5,356	00
5a Anote su ingreso como empleado de una iglesia de la(s) Forma(s) 499 R-2/W-2 PR o W-2			
b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0-			
6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶		5,356	00
7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en 2002		\$84,900	00
8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499 R-2/W-2 PR o W-2			
b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137. Vea la página 8			
c Sume las líneas 8a y 8b			
9 Reste la línea 8c de la línea 7 . Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶		84,900	00
10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9		664	00
11 Multiplique por el 2.9% (.029) la cantidad de la línea 6		155	00
12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11 . Vea la página 7		819	00

Parte VI Métodos opcionales para computar la ganancia neta Vea la página **8** para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, **cada uno** de ustedes debe llenar y adjuntar una Parte VI **por separado**. Vea las instrucciones.

Método opcional—Negocio agropecuario.			
1 Ingreso máximo para los efectos de los métodos opcionales			
2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11 , Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba		\$1,600	00
Método opcional—Negocio no agropecuario.			
3 Reste la línea 2 de la línea 1			
4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio de la línea 5 , Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3 , arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba			

Parte II Residentes bonafides de Puerto Rico que reclaman el Crédito Tributario Adicional por Hijos(as). (Vea la página x de las instrucciones.)

1	Ingresos recibidos de fuentes dentro de Puerto Rico	1	24,075	00
2	Contribuciones al seguro social y al Medicare retenidas de su(s) Forma(s) 499 R-2/W-2 PR ó W-2 (adjunte copia(s) de dicha(s) forma(s))	2	1,199	00
3	Crédito tributario adicional por hijos(as). Vea la hoja de cómputos en la página 7 de las instrucciones para la cantidad que usted puede anotar aquí y en la línea 8 de la página 1	3	1,793	00

Parte III Ganancia o pérdida de negocio agropecuario

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte III *por separado*. Vea las instrucciones.

Sección A—Ingreso de negocio agropecuario—Método de contabilidad a base de efectivo—Complete las Secciones A y B
 (Si usted usa el método de contabilidad a base de lo devengado, complete las Secciones B y C, así como la línea 11 de la Sección A.)
No incluya la venta de animales usados para tiro, cría, entretenimiento o lechería.

1	Venta de animales y otros artículos que usted compró para revender	1		
2	Costo u otra base de los animales y otros artículos que usted informó en la línea 1	2		
3	Reste la línea 2 de la línea 1	3		
4	Ventas de animales, productos agrícolas, granos y otros productos que usted cultivó	4		
5a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR)	5a		5b Cantidad tributable
6	Pagos recibidos del programa de agricultura	6		
7	Préstamos por crédito sobre productos informados bajo elección (o decomisado)	7		
8	Ingreso de seguro de cosechas	8		
9	Ingreso de servicios prestados con equipo agrícola	9		
10	Otros ingresos	10		
11	Ingreso bruto agropecuario. Suma las líneas de la columna derecha desde la 3 hasta la 10, ambas inclusive. Si usted es un contribuyente que usa el método de contabilidad a base de lo devengado, anote la cantidad que aparece en la línea 49 de la Sección C	11		

Sección B—Gastos de negocio agropecuario—Métodos de contabilidad a base de efectivo y a base de lo devengado

No incluya gastos personales o de mantenimiento (tales como contribuciones, seguros, reparaciones, etc., de su casa), que no fueron para la producción de ingreso agropecuario. Antes de anotar los gastos, más abajo, reste de éstos cualquier reembolso recibido por los mismos.

12	Gastos de automóvil o de camión (junte a esta planilla la Forma 4562)	12			25	Planes de pensión y de participación en las ganancias	25		
13	Productos químicos	13			26	Renta o alquiler:	26		
14	Gastos de conservación	14			a	Vehículos, maquinaria y equipo.	26a		
15	Servicios de equipo agrícola	15			b	Otro (tierra, animales, etc.)	26b		
16	Depreciación, gastos y deducciones hechas de acuerdo a la sección 179 del Código Federal de Rentas Internas no reclamadas en otra parte de esta planilla (junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo)	16			27	Reparaciones y mantenimiento	27		
17	Programas de beneficios para los empleados, excepto los incluidos en la línea 25	17			28	Compra de semillas y plantas	28		
18	Compra de alimentos para animales	18			29	Gastos de almacenaje	29		
19	Fertilizantes y cal	19			30	Compra de materiales	30		
20	Fletes y acarreo	20			31	Contribuciones.	31		
21	Gasolina, combustible y aceite	21			32	Servicios públicos (agua, electricidad, gas, etc.)	32		
22	Seguros (excepto de salud).	22			33	Honorarios pagados a veterinarios, cría y medicinas	33		
23	Intereses:				34	Otros gastos (especifique):			
a	Sobre hipotecas (pagados a bancos, etc.)	23a			a	.....	34a		
b	Otros	23b			b	.....	34b		
24	Mano de obra	24			c	.....	34c		
					d	.....	34d		
					e	.....	34e		
35	Total de gastos. Suma las líneas de la 12 a la 34e	35					35		
36	Ganancia (o pérdida) neta de negocio agropecuario. Reste la línea 35 de la línea 11. Anote el resultado aquí y en la línea 1 de la Parte V	36					36		

Sección C—Ingreso de negocio agropecuario—Método de contabilidad a base de lo devengado
No incluya en las líneas de abajo la venta de animales usados para tiro, cría, entretenimiento o lechería.

37	Venta de animales, productos agrícolas, granos y otros productos durante el año		37		
38a	Total de distribuciones de cooperativas (Forma(s) 1099-PATR)	38a	38b	Cantidad tributable	
39	Pagos recibidos del programa de agricultura		39		
40	Préstamos por crédito sobre productos informados bajo elección (o decomisado)		40		
41	Ingreso de servicios prestados con equipo agrícola		41		
42	Otros ingresos de negocio agropecuario (especifique)		42		
43	Sume las líneas de la columna derecha desde la 37 hasta la 42, ambas inclusive		43		
44	Inventario de animales, productos agrícolas, granos y otros productos al comienzo del año	44			
45	Costo de animales, productos agrícolas, granos y otros productos comprados durante el año	45			
46	Sume las líneas 44 y 45	46			
47	Inventario de animales, productos agrícolas, granos y otros productos al final del año	47			
48	Costo de animales, productos agrícolas, granos y otros productos agrícolas vendidos. Reste la línea 47 de la línea 46*		48		
49	Ingreso bruto agropecuario. Reste la línea 48 de la línea 43. Anote el resultado aquí y en la página 2, línea 11, Parte III.		49		

*Si usted usa el método de precio por unidad para los animales, o el método de precio de finca para valorar su inventario y la cantidad que aparece en la línea 47 es mayor que la de la línea 46, reste la línea 46 de la línea 47 y anote el resultado en la línea 48. Después sume las líneas 43 y 48, y anote en la línea 49 el total obtenido.

Parte IV Ganancia o pérdida de negocio (por cuenta propia)

Nombre del propietario	Número de seguro social
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Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge tuvieron una ganancia o pérdida de un negocio agropecuario, *cada uno* de ustedes debe llenar y adjuntar una Parte IV *por separado*. Vea las instrucciones.

Sección A—Ingresos

1	Total de ingresos \$	Menos devoluciones y descuentos \$	Balance	1	10,600	00
2a	Inventario al comenzar el año	2a				
b	Compras menos el costo de los artículos retirados del negocio para uso personal	2b				
c	Costo de mano de obra. No incluya ninguna cantidad pagada a usted mismo	2c				
d	Materiales y suministros	2d				
e	Otros costos (junte una explicación)	2e				
f	Sume las líneas de la 2a a la 2e	2f				
g	Inventario al final del año	2g				
h	Costo de mercancías vendidas. Reste la línea 2g de la línea 2f	2h				
3	Ganancia bruta. Reste la línea 2h de la línea 1	3		10,600	00	
4	Otros ingresos	4				
5	Ingreso bruto. Sumo las líneas 3 y 4	5		10,600	00	

Sección B—Gastos

6	Anuncios y publicidad	6	250	00	19	Reparaciones y manutención	19			
7	Deudas incobrables de ventas y servicios	7			20	Materiales (no incluidos en la Sección A)	20	250	00	
8	Gastos de vehículos de motor (junte a esta planilla la Forma 4562)	8			21	Contribuciones y licencias	21			
9	Comisiones y cuotas	9			22	Gastos de viaje, comidas y entretenimiento:				
10	Agotamiento	10			a	Viajes	22a			
11	Depreciación, gastos y deducciones de acuerdo a la sección 179 del Código (no incluida en la Sección A). (Junte a esta planilla la Forma 4562 si está obligado(a) a hacerlo.)	11			b	Total de comidas y entretenimiento				
12	Programas para el beneficio de los empleados (excepto los incluidos en la línea 17)	12			c	Anote la cantidad no deducible incluida en la línea 22b				
13	Seguros (excepto de salud)	13			d	Reste la línea 22c de la línea 22b	22d			
14	Intereses sobre deudas del negocio	14			23	Servicios públicos (agua, electricidad, gas, etc.)	23	200	00	
15	Servicios legales y profesionales	15			24	Sueldos no incluidos en la línea 2c	24			
16	Gastos de oficina	16			25a	Otros gastos (indique tipo de gasto y cantidad):				
17	Planes de pensión y de participación en las ganancias	17				.....			
18	Renta o alquiler:					.....			
a	Vehículos, maquinaria y equipo	18a				.....			
b	Otra propiedad comercial	18b	1,500	00	b	Total de los otros gastos	25b			
26	Total de gastos. Sumo las líneas de la 6 a la 25b	26		2,200	00	27	Ganancia (o pérdida) neta. Reste la línea 26 de la línea 5. Anote el resultado aquí y en la línea 2, de la Parte V	27	8,400	00

Parte V Contribución sobre el ingreso del trabajo por cuenta propia—Si recibió ingreso como empleado de una iglesia, vea la página 6 antes de seguir.

Nombre del individuo que recibió ingreso del trabajo por cuenta propia	Número de seguro social del individuo con ingreso del trabajo por cuenta propia ▶	
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Aviso: Si radica una planilla de contribución conjunta y tanto usted como su cónyuge recibieron ingreso del trabajo por cuenta propia, *cada uno* de ustedes debe llenar una Parte V *por separado*. Vea las instrucciones.

A Si usted es ministro, miembro de una orden religiosa o practicante de la Ciencia Cristiana y usted radió la Forma 4361, pero obtuvo **otras** ganancias netas ascendentes a \$400 ó más del trabajo por cuenta propia, marque este encasillado y continúe en la Parte V.

1 Ganancia (o pérdida) neta procedente de un negocio agropecuario, la cantidad de la línea 36, Parte III, más la parte recibida por usted de una sociedad agropecuaria. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio agropecuario. Vea la página 8	1			
2 Ganancia (o pérdida) neta procedente de un negocio no agropecuario, la cantidad de la línea 27, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria. Los eclesiásticos o miembros de una orden religiosa deben ver la página 6 para las cantidades que tienen que informar en esta línea. Nota: No llene esta línea si usted usa el método opcional para computar la ganancia neta de un negocio no agropecuario. Vea la página 8	2	8,400	00	
3 Combine las líneas 1 y 2	3	8,400	00	
4a Si la línea 3 es más de cero, multiplique la línea 3 por el 92.35% (.9235). De otro modo, anote la cantidad de la línea 3	4a	7,757	00	
b Si usted eligió uno (o ambos) de los dos métodos opcionales, anote aquí el total de las líneas 2 y 4 de la Parte VI	4b			
c Combine las líneas 4a y 4b. Si es menos de \$400, usted no adeuda la contribución federal sobre el trabajo por cuenta propia. Excepción: Si es menos de \$400 y usted tenía ingreso como empleado de una iglesia o debe la contribución sobre propinas o seguro de vida grupal a término, anote -0- y continúe ▶	4c	7,757	00	
5a Anote su ingreso como empleado de una iglesia de la(s) Forma(s) 499 R-2/W-2 PR o W-2	5a			
b Multiplique la línea 5a por el 92.35% (.9235). Si es menos de \$100, anote -0-	5b			
6 Ganancias netas del trabajo por cuenta propia. Sume las líneas 4c y 5b ▶	6	7,757	00	
7 Cantidad máxima de salarios e ingreso del trabajo por cuenta propia combinados sujeta a la contribución al seguro social en 2002	7	\$84,900	00	
8a Total de salarios y propinas sujetos a la contribución al seguro social, según aparecen en la(s) Forma(s) 499 R-2/W-2 PR o W-2	8a			
b Propinas que usted no informó a su patrono y que están sujetas a la contribución al seguro social de la línea 9 de la Forma 4137. Vea la página 8	8b			
c Sume las líneas 8a y 8b	8c			
9 Reste la línea 8c de la línea 7. Si es cero o menos, anote -0- aquí y también en la línea 10 y pase a la línea 11 ▶	9	84,900	00	
10 Multiplique por el 12.4% (.124) la cantidad que resulte menor entre la línea 6 ó la línea 9	10	962	00	
11 Multiplique por el 2.9% (.029) la cantidad de la línea 6	11	225	00	
12 Contribución sobre el trabajo por cuenta propia. Sume las líneas 10 y 11 . Vea la página 7	12	1,187	00	

Parte VI Métodos opcionales para computar la ganancia neta Vea la página 8 para las limitaciones.

Aviso: Si usted radica una planilla conjunta y tanto usted como su cónyuge eligen usar el método opcional para computar sus ganancias netas, *cada uno* de ustedes debe llenar y adjuntar una Parte VI *por separado*. Vea las instrucciones.

Método opcional—Negocio agropecuario.				
1 Ingreso máximo para los efectos de los métodos opcionales	1	\$1,600	00	
2 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio agropecuario de la línea 11, Parte III, más la parte recibida por usted de una sociedad agropecuaria (pero no menos de cero), o \$1,600. Incluya esta cantidad en la línea 4b de la Parte V, arriba	2			
Método opcional—Negocio no agropecuario.				
3 Reste la línea 2 de la línea 1	3			
4 Anote la menor de: dos tercios (2/3) del ingreso bruto del negocio de la línea 5, Parte IV, más la parte recibida por usted de una sociedad no agropecuaria (pero no menos de cero), o la cantidad que aparece en la línea 3, arriba. Incluya también esta cantidad en la línea 4b de la Parte V, arriba	4			