



New Amnesty from the State Insurance Fund Corporation and the Department of Labor is Approved

By Yesenia Sánchez-Quiles

Act 15-2014 signed by the Governor of Puerto Rico on January 3, 2014 (the “Amnesty”), provides employers the opportunity to pay debts outstanding with the State Insurance Fund Corporation (“SIFC”) and the Department of Labor (“DOL”) with a total abatement of interest, surcharges and penalties. The Amnesty will be effective for a period of 100 calendar days; but before such period begins, both the SIFC and the DOL shall issue a circular letter or administrative determination providing the specific guidelines and procedures to be applied during the amnesty period, followed by a 30-day orientation period. As of today, none of the governmental agencies have issued the official communication providing the guidelines to commence the Amnesty orientation.

Which debts qualify?

- Outstanding debts with the SIFC for periods until June 30, 2013, including debts under payment plans.

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- Outstanding debts with the DOL for periods until June 30, 2013, including debts under payment plans.
- Debts related to tax returns or declarations not previously filed covering periods until June 30, 2013.

Qualification Requirements

- Employers must be in compliance with the filing and payments of the applicable tax returns, payroll declarations or accumulated premiums for the periods beginning on or after July 1, 2013.
- The employer must detail all the debts covered by the Amnesty. However, if the employer avails itself to the benefits of the Amnesty, it waives any objection to the assessment or notice of the debts covered by it.
- Employers who have not filed their tax returns or payroll declarations for the taxable periods ended on or before June 30, 2013 may file such returns or declarations in order to benefit from the Amnesty, but cannot enter into a payment plan.
- Employers under review processes including audits, administrative hearings or judicial proceedings may benefit from the Amnesty by paying the corresponding tax on the proposed adjustments without any interest, surcharges or penalties within the authorized period. Paying under the Amnesty will result in the discontinuance of the audit process, and the administrative or judicial proceedings.

Availability of Payment Plans

- The employer has the option to pay all qualifying debts at once during the term of the Amnesty or may enter into a payment plan with the SIFC or the DOL.
- Under the payment plan, an initial payment of 10% of the principal amount of the debt must be made at the time of the request. Table I presents the payment plans terms from which the employer may elect.

Who may not benefit from the Tax Amnesty?

- Elected, appointed or confirmed government officers.

Table I – Payment Plans Terms

One Year	10% initial payment and the remaining 90% of the principal balance to be paid over a period of not more than 12 months, without interest.
Two Years	10% initial payment and the remaining 90% of the principal balance to be paid over a period of not more than 24 months, at a 5% annual interest rate.
Three Years	10% initial payment and the remaining 90% of the principal balance to be paid over a period of not more than 36 months, at a 7% annual interest rate.
Four Years	10% initial payment and the remaining 90% of the principal balance to be paid over a period of not more than 48 months, at a 10% annual interest rate.

- Employers who have an ongoing proceeding for tax related crimes, or who has been convicted for tax fraud.
- Employers, whose source of income is illegal, or whose activities or businesses may be identified as criminal activities under “the Act against Organized Crime.”

Administrative Provisions

- Payments under the provisions of the Amnesty will be voluntary and final for all purposes and will not be subject to subsequent claims for refund or credit.
- In the event that the employer does not comply with the requirements of the payment plan, the debts will be reestablished with the applicable, penalties, interests, surcharges and administrative expenses determined by the SIFC or the DOL.
- Act 15-2014 allows for the sale of the payment plans to other governmental institutions or private entities, subject to the prior publication of written regulations describing the process to carry out such transactions.

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Yesenia is a Manager at Zaragoza & Alvarado LLP. Before joining the firm she was a senior tax associate in a local accounting firm providing tax services to different types of industries. She started her career at the Puerto Rico Treasury Department.

Yesenia manages a government and corporate tax resolution practice specializing in tax audits from the Puerto Rico Department of Treasury, the United States Internal Revenue Service, and municipalities including, sales and use tax, volume of business, real and personal property resolution services for individuals and businesses. She also works to obtain licenses and permits required to operate regulated lines of business such as distribution or retail of alcohol, imports license, fire arms, public services such as maritime, road or air transportation, security services, certain energy production, distribution, retailing and communication services. Her practice also includes obtaining all necessary permits and licenses required to start regular business lines as services, manufacturing and retailing. She provides tax compliance services for volume of business, real and personal property.

Yesenia has a Bachelor in Business Administration, major in Accounting, from the University of Sacred Heart in San Juan.

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**Zaragoza & Alvarado Comments on
the Amnesty**

The Amnesty provides employers a new opportunity to clean old debts while saving a significant amount of money for the abatement of interest, penalties and surcharges. In addition, for employers with government contracts, who need to be in compliance with the filings and payment of taxes with these governmental agencies, this is the perfect time to be up to date with them. Now that the administrative orders have not been issued, verify your records and clarify all debts that represent errors, and get prepared to avail to the benefits of the Amnesty by paying the qualifying debts without interest, penalties and surcharges. You may contact us, and we will assist you with this process.

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