

Hacienda Issues Guidance on Tax Prepayment Window for Puerto Rico Retirement Plans

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In Administrative Determination No. 14-16, Hacienda clarified certain ambiguities in the recently enacted Tax System Adjustment Act, which amended the Puerto Rico Internal Revenue Code of 2011 (the “**PR Code**”) to provide a window, from July 1, 2014 to October 31, 2014, for the prepayment of Puerto Rico income taxes on all or part of a participant’s retirement plan account balance or accrued benefits. During the window, the tax rate on prepayments is reduced to 8 percent for plans qualified under the PR Code and to 15 percent for non-qualified plans. Prepayments may be made with the participant’s own funds or with funds distributed from the plan. Although a plan is not required to permit distributions for tax prepayments, a plan amendment may be needed if the plan chooses to permit such distributions. Such an amendment is not a qualifying amendment and need not be filed with Hacienda. Administrative Determination No. 14-16 (in Spanish) is available [here](#).