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TAX NEWSLETTER

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TAX ALERT !!!

INCENTIVES FOR SMALL TO MEDIUM BUSINESSES APPROVED

- **INCOME TAX**

On August 1, 2008, the Governor signed into law Act 147 to provide certain tax and non-tax incentives to small and medium businesses.

Under Act 147 businesses with gross income of \$5,000,000 or less for the taxable year may elect an income tax of 30% on its taxable net income (25% in the case of businesses that maintain an average of 7 regular full-time employees on the payroll during the taxable year). Businesses that qualify for these reduced tax rates may take a full deduction for the cost of new computer systems and their installation on the year the expense is incurred and accelerated 2-year straight-line depreciation for ground transportation equipment (excluding automobiles) and environmental conservation equipment.

Act 147 allows individuals engaged in a trade or business a deduction equal to 50% of the self-employment tax paid to the U.S. Internal Revenue Service during the same taxable year.

Self-employed individuals whose gross income from the trade or business does not exceed \$500,000 may deduct as an ordinary and necessary business expense the cost of his family medical insurance provided said medical insurance also covers any employees he may have.

The above amendments are effective for taxable years beginning after December 31, 2008.

- **STATE INSURANCE FUND**

Act 147 provides that the owner of a sole proprietorship with gross income not exceeding \$1,000,000 that works full-time in the business will be covered by the provisions of the State Insurance Fund. The premium to be paid to cover said owners of individual businesses will be provided by regulations to be promulgated by the Administrator of the State Insurance Fund. This amendment is effective immediately.

- **FILING REQUIREMENTS**

Act 147 increased the volume of business threshold for filing certified financial statements with the income tax return, municipal license tax return, personal property tax return, and domestic corporation annual report from \$1,000,000 to \$3,000,000. This amendment is effective immediately.



Because of the general nature of this newsletter, nothing herein should be considered as legal advice or a legal opinion. For further information about the contents of this newsletter, or should you need further assistance in connection with these matters, please contact the firm's Corporate – Tax Department.