O'NEILL & BORGES
ATTORNEYS AT LAW

American International Plaza
250 Muñoz Rivera Ave, Suite 800
San Juan, Puerto Rico 00918-1813

Tel (787) 764-8181
Fax (787) 753-8944

EMPLOYEE BENEFITS LEGAL ALERT

JUNE 2010

Transitional Relief Provided by IRS for Tax-Free Transfer from Dual Qualified Plans with U.S. Trust to P.R. Qualified Plans with P.R. Trust will Expire on December 31, 2010

Dual qualified plans with trusts located in the U.S. have until **December 31, 2010** to transfer the assets pertaining to P.R. participants from the U.S. trust to a P.R. trust of a plan qualified under Section 1165 of the Puerto Rico Internal Revenue Code of 1994, as amended. The transitional relief provided by Rev. Rul. 2008-40 would allow that the transfer of the assets in the U.S. trust to the P.R. trust be treated as if it were a tax-free transfer and not be considered a taxable distribution of the account balances of the Puerto Rico participants at the time of the transfer. In addition, following the transfer, the assets of the trust consisting of U.S. earnings and accretions transferred to the P.R. trust will be exempt from U.S. income tax and not subject to U.S. income tax withholding at the time of distribution to bona fide residents of P.R.

Due to the fast approaching deadline and the time consuming process of establishing a Puerto Rico trust and a separate Puerto Rico Plan, employers should take immediate action to evaluate whether they want to take advantage of the transitional relief provided by the IRS in Rev. Rul. 2008-40.

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 any of the attorneys listed below, members of our Employee Benefits Practice Group.

Attorney	Direct Telephone No.	Email Address
Ivelisse Collazo	(787) 282-5728	Ivelisse.Collazo@oneillborges.com
Rosa M. González	(787) 282-5712	Rosa.Gonzalez@oneillborges.com
Rosa M. Lázaro	(787) 282-5714	Rosa.Lazaro@oneillborges.com
Michelle Marichal	(787) 282-5702	Michelle.Marichal@oneillborges.com
Cristina Morazzani	(787) 282-5736	Cristina.Morazzani@oneillborges.com

Copyright 2010©

Copyright May 2010©