



TaxNewsFlash

United States

No. 2018-223
June 12, 2018

Puerto Rico: “Employee retention credit,” as hurricane disaster relief

The Puerto Rico Treasury Department issued guidance (Internal Revenue Circular Letter No. 18-11) setting forth the eligibility requirements and procedures for claiming the “employee retention credit.”

Eligible employers that continued to pay salaries to employees during a period of “inoperability” as a result of damage caused by Hurricane Irma and/or Hurricane Maria in Puerto Rico may be eligible for the employee retention credit.

- The amount of credit can be 26% or 32% of the amount of qualified wages up to \$6,000 paid to each employee during the period of inoperability (i.e., a credit of up to \$1,560 or \$1,920 per employee).
- The applicable credit percentage for the employer will be based on a threshold amount of \$10 million of net income subject to tax for tax year 2017 (i.e., if the taxpayer’s net income subject to tax is more than \$10 million, the credit will be computed at a rate of 26% or 32% of \$10 million).

Eligibility requirements

To be eligible for the employee retention credit, the employer must have:

- Conducted an active trade or business in Puerto Rico
- Had employees on the payroll at the time of the hurricanes’ landfall in Puerto Rico
- Been inoperable on any day after the date of the hurricanes
- Paid qualified wages during the eligible period
- Filed electronically all withholdings statements required for tax year 2017

- Been enrolled in the Merchant's Registry of the Unified System of Internal Revenue ("SURI" by its Spanish acronym)

For these purposes, the eligibility period begins on the date when the trade or business became inoperable as a result of damage sustained by reason of Hurricanes Irma and/or Hurricane Maria, and ends on the earlier of: (1) the date when the business resumed significant operations; or (2) December 31, 2017.

The effective dates established as the "commencement period of inoperability of business" for each hurricane are as follows:

- Hurricane Irma—September 4, 2017
- Hurricane Maria—September 16, 2017

A taxpayer's application for the employee retention credit will be accepted electronically until December 31, 2018.

For more information, contact a KPMG tax professional in Puerto Rico:

Rolando Lopez | +1 (787) 622-5340 | rlopez@kpmg.com

Carlos Molina | +1 (787) 622-5311 | cmolina@kpmg.com

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)