

# 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:

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