



N
F
C

B
U
L
L
E
T
I
N

Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 04-12, Puerto Rico (Commonwealth) State Income Tax Withholding

Date: June 4, 2004

To: Holders of TAXES (Commonwealth of Puerto Rico only)
Personnel User Groups
T&A Contact Points in Puerto Rico

Beginning with wages paid for Pay Period 11, the National Finance Center (NFC) will make the following changes to Puerto Rico (Commonwealth) state income tax withholdings:

- The annual exemption for each dependent will increase from \$1,300 to \$1,600.
- The tax withholding tables will change.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to the NFC home page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by “▶◀”.

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at customer.support@usda.gov.

RANDOLPH H. GONZALES, Acting Director
Government Employees Services Division

Puerto Rico (Commonwealth of) State Income Tax Information

State Abbreviation: PR
State Tax Withholding State Code: RQ
Acceptable Exemption Form: 499R
Basis For Withholding: State Exemptions
Acceptable Exemption Data: S, M, N, B, H / Number of Dependents / Allowance Based on Deductions / Personal Exemption
TSP Deferred: Yes
Special Coding: Determine the Total Number Of Allowances field as follows:

First Position - Enter the employee's marital status as indicated in Section A, Personal Exemption, of the exemption certificate. Valid entries are:

Marital Status Code	Description
S	Single - Claiming "Complete" Personal Exemption or "None"
N	Married - Claiming "Half" Personal Exemption
B	Married/ Living with Spouse, Filing Separately - Claiming "Complete" Personal Exemption or "None"
H	Head of Household - Claiming "Complete" Personal Exemption or "None"

Note: If head of household is claimed, the dependents claimed (second and third digits) must be 01 or greater.

Second and Third positions - Enter the total number of dependents claimed in Section B, Credit for Dependents, of the exemption form.

Determine the Additional Exemptions Claimed field as follows:

First and Second Positions - If the employee indicated on the exemption form (Section C, Allowance Based on Deduction) that the automatic method is to be used, enter **00**. If the employee indicated the optional method, enter the number of allowances. If less than 10, precede with a zero.

Determine the Personal Exemptions Claimed field as follows:

Enter **0** (zero) in this field if the employee marked none in Section A, Personal Exemption, of the exemption form. Enter **1** if the employee marked "Complete" or "Half."

Note: Only Marital Status Code N can claim "Half" personal exemption.

Determine the Public or Private Employee field as follows:

Enter **1** for private employees who do not contribute to a Government retirement system. Enter **2** for public employees who contribute to a Government retirement system.

Additional Information: The Puerto Rico tax formula has separate computations for residents and nonresidents.

Withholding Formula (Residents) ►(Effective Pay Period 11, 2004)◄

1. Subtract the biweekly Thrift Savings Plan contribution (do not subtract the biweekly TSP catch-up contribution) from the gross biweekly wages.

2. Subtract cost-of-living allowance (COLA) from the adjusted gross biweekly wages.
3. Multiply the adjusted gross biweekly wages times 26 to obtain the annual wages.
4. Determine the allowance based on deductions amount by applying either the automatic or optional method.

Automatic Method

Private Employee

- a. Apply the following table to determine

If the Employee Is:	The Deduction Amount Is:
Single	\$ 2,000
Married	3,000
Married (living w/spouse filing separately)	3,000
Head of Household	2,600

Public Employee

- a. Apply the following table to determine

If the Employee Is:	The Deduction Amount Is:
Single	\$ 2,000
Married	3,000
Married (living w/spouse filing separately)	3,000
Head of Household	2,600

- b. Multiply the annual wages computed in step 3 by 7 percent and add to the result of step 4a; then proceed to step 5.

Optional Method

Use the number of allowances entered in Section C (Allowance Based On Deduction) on the employee's Form 499R; then proceed to step 5.

5. Divide the result of step 4 by 500. Round to the nearest whole number to determine the number of allowances (Example: 4.50 rounds to 4; 4.51 rounds to 5).
6. Multiply the result of step 5 by 500.
7. Subtract the result of step 6 from the annual wages computed in step 3.
8. If personal exemptions are claimed in Section A (Personal Exemptions) on the employee's Form 499R, apply the following guideline and subtract from the result of step 7. Otherwise, proceed to step 9.

Single-S	Married-M (Complete Exemption)	Married-N (Half Exemption)	Married-B (Living with Spouse- Filing Separately - Complete Exemption)	Head of Household-H
\$1,300	\$3,000	\$1,500	\$1,500	\$3,000

9. Determine the dependent allowance by applying the following guideline and subtract from the result of step 7 or step 8, as applicable, to obtain the taxable income.

$$\text{Dependent Allowance} = \blacktriangleright \$1,600 \blacktriangleleft \times \text{Number of Dependents}$$

Note: Subtract one dependent if Head of Household is claimed.

10. Apply the taxable income computed in step 9 to the following table to determine the annual Puerto Rico income tax withholding amount.

Tax Withholding Table

Single - S

Married-M

Head of Household-H

If the Amount of Taxable Income Is:		The Amount of Puerto Rico Tax Withholding Should Be:		
Over:	But Not Over:			
\$ 0	\$ 2,000	$\blacktriangleright 7\%$	minus	\$ 0
2,000	17,000	10%	minus	60
17,000	30,000	15%	minus	910
30,000	50,000	28%	minus	4,810
50,000	and over	33%	minus	7,310 \blacktriangleleft

Married-B

(Living With Spouse - Filing Separately)

If the Amount of Taxable Income Is:		The Amount of Puerto Rico Tax Withholding Should Be:		
Over:	But Not Over:			
\$ 0	\$ 1,000	$\blacktriangleright 7\%$	minus	\$ 0
1,000	8,500	10%	minus	30
8,500	15,000	15%	minus	455
15,000	25,000	28%	minus	2,405
25,000	and over	33%	minus	3,655 \blacktriangleleft

11. Divide the annual Puerto Rico income tax withholding by 26 to obtain the biweekly Puerto Rico income tax withholding.

Withholding Formula (Nonresidents) (Effective Pay Period 2, 1998)

1. Subtract the biweekly Thrift Savings Plan contribution (do not subtract the biweekly TSP catch-up contribution) from the gross biweekly wages.
2. Subtract cost-of-living allowance (COLA) from the adjusted gross biweekly wages.
3. Multiply the adjusted gross biweekly wages times 26 to obtain the annual wages.
4. Apply the annual wages to the following guidelines to compute the annual Puerto Rico income tax withholding amount.

**Compute the Commonwealth of
Puerto Rico Income Tax Withholding
For:**

U.S. Citizen
Non-U.S. Citizen

**By Multiplying the Gross Amount
Wages By:**

20%
29%

5. Divide the annual Puerto Rico income tax withholding by 26 to obtain the biweekly Puerto Rico income tax withholding.