



# VITA/TCE Volunteer Tax Alert (VTA)

*Thank you for volunteering and for your dedication to top QUALITY service!*

<b>VTA Number</b>	VTA-2019-04
<b>Date Issued</b>	June 10, 2019
<b>Tax Law Topic</b>	Taxability of Social Security benefits for residents of Puerto Rico
<b>Purpose</b>	To alert VITA/TCE partners and volunteers about calculating the taxable portion of benefits.
<b>Identified Issue</b>	<p>The Tax Cuts and Jobs Act of 2017 (TCJA) eliminated the personal and dependency exemptions. Now, residents of Puerto Rico with exempt Puerto Rico source income under IRC 933 can only claim the modified standard deduction to reduce the taxable portion of the Social Security benefits. Publication 1321 is used to calculate the allowable modified standard deduction. The Internal Revenue Service is aware that taxpayers with exempt Puerto Rico income may have to pay taxes on some of their Social Security benefits.</p>
<b>Message to Volunteers</b>	<p>Residents of Puerto Rico with exempt Puerto Rico source income must use Worksheet 1 in Publication 915 to calculate the taxable portion of Social Security benefits, not the worksheet included with Form 1040 instructions. If the taxpayer received Social Security benefits plus other income (including exempt Puerto Rico source income), some portion of the Social Security benefits may be taxable.</p> <p>Taxpayers who worked in Puerto Rico and now are receiving Social Security benefits plus other income from Puerto Rico sources may have to file a Form 1040, U.S. Individual Income Tax Return. To figure the taxable portion of social security benefits, combine the amounts of the following types of income, including from Puerto Rico sources: Wages (including for services performed in Puerto Rico, U.S. or foreign countries); interest (including exempt interest); ordinary dividends; taxable amount of IRAs; taxable amount of pensions and annuities (without considering the exclusion allowed in Puerto Rico); alimony received; business income; capital gains; income from rental real estate, royalties, partnerships, S corporations, and trusts; farm income; unemployment compensation; other income, etc.</p> <p>Social Security benefits are U.S. source income by definition (IRC Section 861).</p>
<b>Resources</b>	<p>For specific information refer to the following resources located on <a href="http://www.irs.gov">www.irs.gov</a>:</p> <ul style="list-style-type: none"><li>• <a href="#">Link and Learn Taxes - Puerto Rico courses</a></li><li>• <a href="#">Publication 1321, Special Instructions For Bona Fide Residents Of Puerto Rico Who Must File A U.S. Individual Income Tax Return</a></li><li>• <a href="#">Publication 915, Social Security and Equivalent Railroad Retirement Benefits</a></li><li>• <a href="#">Publication 4696(PR), VITA/TCE Puerto Rico Resource Guide</a></li></ul>

***For additional questions, please talk to your site coordinator, partner or IRS SPEC relationship manager.***