

Outsourcing Alert: Withholding Exemption Certificate (Form 499R-4)

The Withholding Exemption Certificate (Form 499 R-4) is the document used by employees to notify the employer of their personal exemption, exemption for dependents and/or the allowance based on deductions to determine the income tax to be withheld from the employee's wages.

If the annual gross wages of an employee does not exceed \$20,000, it will not be subject to withholding at source. However, with the elimination of the special deduction for certain individuals, it is possible that taxpayers with gross wages of \$20,000 have an income tax liability when filing their individual income tax return. Therefore, any employee may elect to request his/her employer to withhold an amount in addition to the one required by law.

Personal exemption

- Individual taxpayer (single person, married that granted prenuptial agreement of total separation of assets or married not living with the spouse)
- Married – married taxpayer who chooses the optional computation. The personal exemption will be considered on a 50% basis for each spouse.
- Veterans – every veteran is entitled to claim an additional personal exemption.

Exemption for dependents

The number of dependents in the Certificate shall be the same number of dependents claimed in the personal income tax return. If the employee has joint custody and has not given up the claim to this exemption, only 50% of the exemption will be considered.

Allowance based on deductions

An employee has the option to consider in the withholding computation, the deductions that will be able to claim on his/her tax return, such as home mortgage interest, charitable contributions, medical expenses, interest paid on student loans or retirement systems, contributions to IRAs and educational IRAs, contributions to health savings accounts, casualty loss on your principal residence and loss of personal property as result of certain casualties.

The employer shall consider the information provided by the employee on this Certificate in order to make the withholding according to the Puerto Rico Department of Treasury - Employer's Guide on the Withholding of Income Tax at Source on Wages for the corresponding taxable year.

Link-Department of Treasury
http://www.hacienda.gobierno.pr/sites/default/files/documentos/499_r-4.pdf



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April 19, 2016

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