

Outsourcing Alert:

Withholding exemption certificate - Form 499 R-4

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



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Young individuals' resident of Puerto Rico whose ages fluctuates between 16 and 26 years at the end of the taxable year, are entitled to an exemption on the first \$40,000 of gross income from wages. To claim this exemption, the employee must include the date of birth.

Personal Exemption

- Individual tax payer (single person, married that granted prenuptial agreement of total separation of assets or married not living with the spouse).
- Married – if you are married and choose 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, shall be the same as the number claimed in the personal income tax return. If the employee has joint custody and have not released the claim to this exemption, only the 50% of the exemption will be considered.

Call to action

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Taxpayers have the option to consider which method to use to determine the number of allowances

Allowance based on deductions

You have the option to consider in the withholding computation, the deductions that you will be able to claim on your tax return, such as home mortgage interest, charitable contribution, medical expenses, interest paid on student loans or retirement systems, contributions to IRA's and Educational IRA's, Contributions to health savings accounts, casualty loss on your principal residence and loss of personal property as result of certain casualties.

Any employee may elect for his/her employer to withhold an amount in addition to the one required.

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

Links – Puerto Rico Department of Treasury

http://www.hacienda.gobierno.pr/sites/default/files/documentos/499_r-4_2.pdf

http://www.hacienda.gobierno.pr/sites/default/files/documentos/499_r-4_1.pdf



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