

Federal tax guide for the employers of Puerto Rico (Publication 179)

April 23, 2020

The federal tax guide for Puerto Rico employers, Publication 179 has issued the following changes for taxable year 2021.



Julio Villegas
Audit Partner and
Head of Outsourcing

T (1) 787 754 1915
E julio.villegas@pr.gt.com

What's New

Coronavirus (COVID-19) related employment tax credits and other tax reliefs

- The Families First Coronavirus Response Act (FFCRA), enacted on March 18, 2020, and amended by the COVID-related Tax Relief Act of 2020, provides certain employers with tax credits that reimburses the cost of providing paid sick and family leave wages to employees for leave related to COVID-19.

Qualified sick and family leave wages and the related credits for qualified sick and family leave wages are only reported on employment tax returns with respect to wages paid for leave taken in quarters beginning after March 31, 2020, and before April 1, 2021, or unless extended by future legislation. If you paid qualified sick and family leave wages in 2021 for 2020 leave, a credit should be claimed on your 2021 employment tax return.

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, and amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020, provides eligible employers to claim a credit on their employment tax return, as long as employees are kept on payroll, despite experiencing economic hardship related to COVID-19.

The employee retention credit was extended to 2021 for qualified wages paid to employees between January 1, 2021, and June 30, 2021, and was previously available for qualified wages paid to employees between March 13, 2020, and December 31, 2020. Different rules apply for qualified wages paid after December 31, 2020.

- The CARES Act also allows employers to defer the deposit and payment of the employer share of social security taxes, and which should be reported on your 2020 employment tax return. The deferred amount is only available for deposits due on or after March 27, 2020, and before January 1, 2021, as well as deposits and payments due after January 1, 2021, that are required for wages paid on or after March 27, 2020, and before January 1, 2021.

Visit our website to view additional articles
www.grantthornton.pr

One-half of the deferred amount of the employer share of social security tax is due by December 31, 2021, and the remaining is due by December 31, 2022. Any payments or deposits you make before December 31, 2021, are first applied against your payment due on December 31, 2021, and then applied against your payment due on December 31, 2022. Because both payment dates are nonbusiness days, and therefore payments made on the next business day will be considered timely.

Notice 2021-11 modifies Notice 2020-65

Notice 2020-65 provides that the due date for the deferred amount of the employee share of social security tax is April 30, 2021. However, the COVID-related Tax Relief Act of 2020, enacted on December 27, 2020, defers the due date for the deferred amount of the employee share of social security tax to December 31, 2021. Therefore, Notice 2020-65 was modified by Notice 2021-11 to reflect the new due date.

Social security and Medicare tax for 2021

The social security tax rate is 6.2% each for employee and employer, unchanged from 2020. The new social security wage limit is \$142,800.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2020. There is no wage base limit for Medicare tax.

Social security and Medicare taxes apply to the wages of household workers you pay \$2,300 or more in cash or an equivalent form of compensation. Social security and Medicare taxes apply to election workers who are paid \$2,000 or more in cash or an equivalent form of compensation.

Form 944(SP) has been discontinued.

Form 944(SP) will no longer be available after 2020. As of tax 2021, employers' who previously presented the Form 944(SP) will now annually submit Form 944, Employer's Annual Federal Tax Return, in English.

Link-IRS

[\(Circular E\) Employer's Tax Guide](#)

Contact our Outsourcing department should you need help with this or any other accounting matter. At Kevane Grant Thornton we provide our clients with personalized attention, valuable advice and recommendations, tailored solutions, and direct access to technical experts to help clients resolve issues and identify opportunities.



grantthornton.pr

DISCLAIMER: This update and its content do not constitute advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. In addition, advice from proper consultant should be obtained prior to taking action on any issue dealt with this update. Information provided in this publication may change in the future and such change may be applied retroactively. Kevane Grant Thornton LLP does not assume the responsibility to update this communication if the applicable laws change.

© 2021 Kevane Grant Thornton LLP All rights reserved. Kevane Grant Thornton LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please visit www.grantthornton.pr for further details.