



Tax



Relief



Taxpayers

# Implementation of Act 57-2020 COVID-19 relief measures related to tax year 2020 net operating losses

May 18, 2021

“The net operating loss rules were enacted to ameliorate the unduly drastic consequences of taxing income strictly on an annual basis. They were designed to permit a taxpayer to set off its lean years against its lush years, and to strike something like an average taxable income computed over a period longer than one year.” *Libson Shops, Inc. v. Koehler*, 353 U.S. 382, 386 (1957).

On June 14, 2020, the Governor of Puerto Rico signed Act 57-2020, known as the “Complementary Law to Address the Effects of the COVID-19 Emergency on the Puerto Rican Economy” (the “Act”), which comprises a package of measures to reactivate the economy, support businesses and protect workers. The Act’s public policy is to adopt economic stimulus programs to prevent a recession and the serious social consequences that can result therefrom due to the impact of the COVID-19 emergency.

One of its tax measures is the allowance of a carry-back period of two years for businesses with a volume of business of \$10 million or less for losses realized as a result of the COVID-19 emergency during 2020 (“2020 Losses”). The maximum amount of loss will be \$200,000 and the maximum refund for income tax paid in previous taxable years will be \$50,000. This benefit is not available for Large Taxpayers.

The carryover to subsequent taxable years of 2020 Losses will not be limited to the 90% of the normal tax net income and will be applied after other losses have been applied.

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Collaborated in the preparation of this article.

On May 11, 2021, the Puerto Rico Treasury Department (“Treasury”) issued Informative Bulletin 21-04 to announce that eligible taxpayers should submit an electronic request to avail the benefits of this carryback provision through the Unified System of Internal Revenue (Spanish acronym “SURI”). Treasury indicates they will publish a Circular Letter to establish the process, and terms and conditions of the program to claim this deduction. The Bulletin clarifies that taxpayers should not amend their respective returns to claim this deduction.

Click [here](#) to learn more about other relief measures adopted under the Act.

We will monitor developments of this incentive and keep you informed.

We will monitor any developments in connection with these tax relief measures and will keep you updated on this matter. Please contact our Tax Department should additional information be required regarding this or any other tax issue. We will be glad to assist you.



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