



June 29, 2012

www.mcvpr.com

TAX and LABOR & EMPLOYMENT LAW ALERT

Puerto Rico House of Representatives Approves Two Bills in the Labor & Employment Law Area

Senate Bill 2381 Excluding Severance Indemnity Payments from Income

On June 25, 2012, the Puerto Rico House of Representatives ("House") approved Senate Bill 2381 ("SB 2381"). This legislation would amend the Puerto Rico Internal Revenue Code to exclude payments for separation indemnity under PR Act No. 80 of 1976 for wrongful termination from income, thus making them tax exempt. This exemption also covers payments for separation indemnity made in the context of a "settlement" in a separation agreement.

The Preamble to SB 2381 provides as its main rationale that severance indemnity compensates employees terminated from their employment without just cause. Thus, such payments cannot be considered taxable income.

Should Gov. Luis Fortuño sign SB 2381 into law, it would immediately enter into effect retroactively to January 1, 2011. SB 2381 also applies retroactively to payments made for severance indemnity between January 1, 2005 and December 31, 2010. The Puerto Rico Treasury Department will have 30 days to take the measures necessary to comply with this legislation. Taxpayers will have 12 months to make any claims to the Treasury Department for the reimbursement of taxes paid during the covered periods in connection with severance payments.

Senate Bill 2578 Proposing Incentive Plan for Employers to Pay Debts Owed to the Puerto Rico Unemployment Insurance Fund

On June 20, 2012, the House approved Senate Bill 2578 ("SB 2578") to provide a series of incentives to qualified employers to pay debts owed to the Puerto Rico Unemployment Insurance Fund ("UI Fund"). SB 2578 is pending consideration by Gov. Fortuño.

SB 2578 provides that those employers that have accumulated their debts through the experience system ("sistema de experiencia") would enjoy the following benefits: (1) Employers are relieved from paying any interest accrued on debts to the UI Fund from January 1, 2009 to December 31, 2011; (2) employers are entitled to a 40% amnesty on any penalties or fees accrued; and (3) for debts predating December 31, 2008, employers are only responsible for paying the principal owed. Employers may only enjoy these incentives if they satisfy their debts to the UI Fund on or before October 1, 2012.

Should Gov. Fortuño sign SB 2578 into law, it would enter into effect immediately.

If you have any questions or comments, or wish additional information regarding the above matters, please contact any of the following Labor & Employment Law attorneys:

Alfredo Hoppood	787.250.5689	ah@mcvpr.com
Francisco Chévere	787.250.5615	fc@mcvpr.com
Jorge A. Antongiorgi	787.250.5659	jab@mcvpr.com
María Antongiorgi	787.250.2624	maj@mcvpr.com
Anita Montaner	787.250.5652	ams@mcvpr.com
James D. Noel	787.250.5673	jdn@mcvpr.com
Miguel Palou	787.250.5686	mpe@mcvpr.com
Radamés A. "Rudy" Torruella	787.250.5679	rat@mcvpr.com

Or any of the following Tax attorneys:

Carlos E. Serrano	787.250.5698	ces@mcvpr.com
Roberto L. Cabañas	787.250.5611	rlc@mcvpr.com
Esteban R. Bengoa	787.250.5626	erb@mcvpr.com
Isis Carballo	787.250.5691	ici@mcvpr.com
Yamary González	787.250.5687	yg@mcvpr.com
Liz Annette Pérez	787.250.2615	lap@mcvpr.com
Alba I. Joubert	787.250.5649	aj@mcvpr.com

The content of this McV Alert has been prepared for information purposes only. It is not intended as, and does not constitute, either legal advice or solicitation of any prospective client. An attorney-client relationship with McConnell Valdés LLC cannot be formed by reading or responding to this McV Alert. Such a relationship may be formed only by express agreement with McConnell Valdes LLC.