INTERNAL REVENUE SERVICE

IRS News Release

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IRS and Puerto Rico Announce Partnership

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WASHINGTON — The Internal Revenue Service and Puerto Rico Department of the Treasury, the Hacienda, today announced a new partnership to fight abusive tax avoidance transactions.

The partnership is the latest development in an effort unveiled in September 2003 to enable federal, state and commonwealth tax agencies to join together in ensuring all taxpayers fulfill their obligations under the tax code. Puerto Rico joins 48 states, the District of Columbia, New York City and the Virgin Islands on the list of tax agencies that have signed partnership agreements with the IRS. Like these tax agencies, the Hacienda will be working with the IRS to combat abusive tax avoidance transactions by sharing information and resources.

“This is a logical extension of our existing relationship with 48 states, several cities and the Virgin Islands,” said IRS Commissioner Mark W. Everson. “We are pleased to work with the Hacienda to help ensure compliance with the tax laws.”

In 2004 the IRS has shared leads with partner agencies on more than 35,000 taxpayers engaged in abusive tax avoidance transactions. Upfront information sharing helps the organizations avoid duplication of efforts and maximizes resources by eliminating the need for multiple audits of the same taxpayers.

The scope of the partnership also includes information-sharing and coordination on issues related to self-employment. Self-employed residents of Puerto Rico pay income tax to the PR Hacienda and also have a requirement to file a Form 1040-PR, Self-Employment Tax Return – Puerto Rico, or a Form 1040-SS, U.S. Self-Employment Tax Return, with the IRS.

”In the Department of the Treasury we are pleased to join efforts with the IRS,” PR Assistant Secretary for Internal Revenue Rebeca Vargas said. “Together we will accomplish our goals.”

In addition to the Commonwealth of Puerto Rico, others that have signed agreements with the IRS include: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts,

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Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, New York State, New York City, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, U.S. Virgin Islands, Virginia, Washington, West Virginia and Wisconsin.

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