

# BUSINESS INSIGHT



## INDIVIDUALS MIGHT LOSE P.R. BONA FIDE RESIDENCY STATUS DURING COVID-19 EMERGENCY

People across the world have been affected by the dislocation caused by the COVID-19 emergency. Many individuals have left the Island or have been unable to return to P.R. during the past couple of weeks or even months. As a result, some individuals who expected to comply with the eligibility requirements to qualify as P.R. bona fide residents during 2020 may lose their status if they do not act immediately.

The guidance and relief publications issued by the IRS during mid-April do not provide relief to individuals who are unable to meet the Presence Test to establish P.R. bona fide residence because of the COVID-19 emergency. Moreover, the IRS has not extended the 14-day absence period granted under a major disaster declaration.

BDO has learned that, as of today, it seems unlikely a relief will be issued by the IRS to comply with the days of physical presence required to establish P.R. bona fide residence status.

We urge clients who were expecting to qualify as P.R. bona fide residents to take a moment to review their current residency situation and compute their days of presence in P.R. for compliance with the Presence Test. Namely, confirm if you comply with at least one of the following requirements:

- Being present in P.R. for at least 183 days during 2020,
- Being present in P.R. for at least 549 days during the 3-year period consisting of 2018, 2019 and 2020, with a minimum of 60 days in P.R. during 2020,
- Being present in U.S. no more than 90 days during 2020,
- Not having more than \$3,000 in U.S. earned income and having more days in P.R. than in the U.S.; or
- Not having significant connection to the U.S. during 2020.

When determining compliance with the Presence Test, individuals may exclude certain days of physical presence in the U.S., including days for qualifying medical treatment, education, and other exceptions provided under the Regulations.

Please contact us for assistance on how to meet your P.R. bona fide residence requirements.

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Contact any of our Tax Partners: Gabriel Hernández [gaby@bdo.com.pr](mailto:gaby@bdo.com.pr), Patricia Wangen [patricia@bdo.com.pr](mailto:patricia@bdo.com.pr) or Dially M Otero [dotero@bdo.com.pr](mailto:dotero@bdo.com.pr), to discuss these matters in the context of your particular circumstances. Neither the BDO network, nor the BDO Member Firms or their partners, employees nor agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

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