



*Retirement and Insurance Service
Payroll Office Letter*

Number: P-00-23

Date: October 11, 2000

**SUBJECT: HEALTH BENEFITS PREMIUM CONVERSION (HB-PC) FOR
EMPLOYEES IN THE COMMONWEALTH OF PUERTO RICO**

We have received several inquiries about the taxes paid by Federal employees in the Commonwealth of Puerto Rico and their relevance to the decision on whether to participate in Health Benefits Premium Conversion (HB-PC).

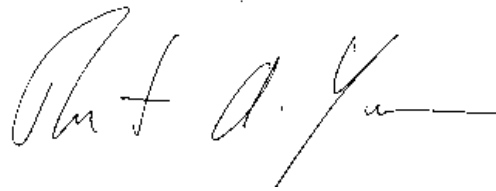
Federal employees, who are residents of Puerto Rico for the entire tax year, must include their pay for services performed for the U.S. government on their Puerto Rican tax returns. If they are U.S. citizens, they must also file a Federal income tax return, but may claim a credit against their Puerto Rican tax for the Federal income taxes they pay. Non-residents of Puerto Rico may not claim this credit against their Puerto Rican taxes.

As we stated in Payroll Office Letter No. P-00-13, Puerto Rico does not allow for the reduction of Puerto Rican taxes as a consequence of participation in HB-PC. Nonetheless, FEHB deductions from the pay of Federal employees in the Commonwealth of Puerto Rico participating in HB-PC will be excluded from their gross pay before both Federal income and FICA taxes are computed. Thus, the take-home pay of Federal employees in the Commonwealth of Puerto Rico, who participate in HB-PC, will increase.

If they have any questions, we would suggest that you refer your employees in Puerto Rico to the Commonwealth's Bureau of Income Tax on 787-721-2020 or at the following address:

Negociado de Asistencia
Contributiva y Legislacion
Departamento de Hacienda
P.O. Box 565
San Juan, Puerto Rico 00902*6255

If you have any questions regarding this information, we would prefer that you email us at finance@opm.gov, so that we have a record of our communication. You may also phone us on (202) 606-0606.

A handwritten signature in black ink, appearing to read "Robert A. Yuran", with a horizontal line extending from the end of the signature.

Robert A. Yuran, Chief
Financial Policy Staff
Retirement and Insurance Service

*Civil Service
Retirement
System*

*Federal Employees
Group Life
Insurance*

*Federal Employees
Health Benefits
Program*

*Federal Employees
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