

Publications

Puerto Rico Treasury Department Issues Guidance on Retirement Plan Limits for 2019

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On December 31, 2018, the Puerto Rico Treasury Department (PR Treasury) issued Circular Letter Internal Revenue 18-21 (CLIR 18-21), formally announcing the key pension limits for 2019, as required by the Puerto Rico Internal Revenue Code of 2011.

For plans qualified only in Puerto Rico (PR-Only Plans), the limits on elective deferrals, catch-up and after-tax contributions, all remain unchanged for 2019, while the limits on annual benefits, annual contributions, and plan compensation, and the highly-compensated employee threshold, all increased for 2019.

For plans qualified both in Puerto Rico and the U.S., including the U.S. Federal Government Thrift Plan (Dual-Qualified Plans), the limits on catch-up and after-tax contributions, all remain unchanged for 2019, while the limits on elective deferrals, annual benefits, annual contributions, and plan compensation, and the highly-compensated employee threshold, all increased for 2019.

The chart below reflects the key limits. CLIR 18-21 in Spanish is available [here](#).

| | 2018 | 2019 |
|--|---|---|
| 1081.01(d) Elective Deferrals – PR-Only Plans | \$15,000 | 15,000 |
| 1081.01(d) Elective Deferrals – Dual-Qualified Plans and U.S. Federal Government Thrift Plan[1] | 18,500 | 19,000 |
| Catch-up Contributions – PR-Only Plans and Dual Qualified Plans | 1,500 | 1,500 |
| Catch-up Contributions – Federal Government Thrift Plan | 6,000 | 6,000 |
| After-Tax Contributions – All Plans | 10% of the employee’s aggregate compensation during time employee is a plan participant | 10% of the employee’s aggregate compensation during time employee is a plan participant |
| Highly-Compensated Employee Threshold – All Plans[2] | 120,000 | 125,000 |
| Annual Limitation on Compensation – All Plans | 275,000 | 280,000 |
| Annual Benefit Limitation on DB Benefits – All Plans | 220,000 | 225,000 |
| Annual Contribution Limitation on DC Plan Contributions – All Plans | 55,000 | 56,000 |

[1] Note that the sum of elective deferrals and contributions to a Puerto Rico deductible individual retirement account (PR-IRA) by a Puerto Rico participant in a dual qualified plan cannot exceed the sum of the PR Code annual limit on elective deferrals for participants in PR-only plans and the PR Code annual limit on deductible contributions to a PR-IRA (i.e., \$15,000 + \$5,000 = \$20,000, in 2019). For example, a participant in a dual-qualified plan who makes \$19,000 in elective deferrals in 2019, would only be able to contribute \$1,000 to his PR-IRA in 2019 (i.e., \$19,000 + \$1,000 = \$20,000).

[2] Although Puerto Rico Act No. 9-2017 amended the PR Code to, among others, modify the definition of highly compensated employees (HCEs) to exclude officers of the participating employer and to modify the HCE threshold to \$150,000 (i.e., fixed and not determined by reference to the dollar limitation under Section 414(q)(1)(B) of the US Code), Puerto Rico Act 257-2018 formally reinstated the US Code HCE threshold effective for 2018 and years thereafter.

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