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## Puerto Rico Treasury Department Expected to Issue Guidance on Retirement Plan Limits for 2015 and SSA Announces Increase in Social Security Wage Base for 2015

### Puerto Rico Retirement Plan Limits

As required by the Puerto Rico Internal Revenue Code of 2011, as amended (PR Code), the Puerto Rico Secretary of the Treasury is expected to issue a Circular Letter announcing the key pension limits for 2015.<sup>1,2</sup> For plans qualified only in Puerto Rico (PR-Only Plans), the limits on annual contributions and plan compensation, and the highly compensated employee threshold all will increase, but the limits on elective deferrals, after-tax and catch-up contributions, and annual benefits all will remain unchanged for 2015. For plans qualified both in Puerto Rico and the U.S. (Dual-Qualified Plans), the limits on elective deferrals, plan compensation, and annual contributions, and the highly compensated employee threshold all will increase, but the limits on catch-up and after-tax contributions, and annual benefits all remain unchanged. The chart below reflects the key limits.

	2014	2015
1081.01(d) Elective Deferrals – PR- Only Plans	\$15,000	\$15,000
1081.01(d) Elective Deferrals – Dual- Qualified Plans and Federal Government Thrift Plan <sup>3</sup>	17,500	18,000
Catch-up Contributions – Federal Government Thrift Plan	5,500	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
Annual Limitation on Compensation – All Plans	260,000	265,000
Annual Benefit Limitation on DB Benefits– All Plans	210,000	210,000
Annual Contribution Limitation on DC Plan Contributions– All Plans	52,000	53,000
Highly Compensated Employee Threshold – All Plans	115,000	120,000

<sup>1</sup> Note that Circular Letter No. 14-01 including the limits for 2014 was issued by the PR Treasury on February 3, 2014.

<sup>2</sup> The limits for 2015 are based on the current provisions of the PR Code. The Puerto Rico government is currently working on a tax reform that would overhaul the current tax system. At this time, it is unclear whether the proposed tax reform would affect the current limits under the PR Code. Consequently, these limits are subject to change.

<sup>3</sup> Total annual aggregate contributions to qualified retirement plans and Puerto Rico deductible individual retirement accounts (IRA) by Puerto Rico participants in dual qualified plans cannot exceed the sum of the PR Code annual limit on elective deferrals for participants in Puerto Rico- only qualified plans and the PR Code annual limit on deductible contributions to an IRA (i.e., \$20,000, in 2014 and 2015).

### **Social Security Wage Base**

The Federal Insurance Contributions Act (FICA) is fully applicable in Puerto Rico. Consequently, wages paid to residents of Puerto Rico are subject to Social Security and Medicare taxes. Recently, the Social Security Administration announced that the Social Security wage base will increase in 2015 – going from \$117,000 to \$118,500. The employee rate of Medicare remains at 1.45% (2.35% applies to wages in excess of \$200,000). The employer rate of Medicare tax also remains at 1.45%.