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Puerto Rico Treasury Department Issues Guidance on Retirement Plan Limits for 2018

On December 15, 2017, the Puerto Rico Treasury Department (PR Treasury) issued Circular Letter of Tax Policy 17-02 (CLTP 17-02), formally announcing the key pension limits for 2018, 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, and the highly-compensated employee threshold all remain unchanged for 2018, while the limits on annual benefits, annual contributions, and plan compensation all increased for 2018.

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, and the highly-compensated employee threshold all remain unchanged for 2018, while the limits on elective deferrals, annual benefits, annual contributions, and plan compensation all increased for 2018.

The chart below reflects the key limits. CLTP 17-02 in Spanish is available [here](#).

	2017	2018
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	18,000	18,500

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 2018). For example, a participant in a dual-qualified plan who makes \$18,500 in elective deferrals in 2018, would only be able to contribute \$1,500 to his PR-IRA in 2018 (i.e., \$18,500 + \$1,500 = \$20,000).

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	120,000 ²	120,000 ²
Annual Limitation on Compensation – All Plans	270,000	275,000
Annual Benefit Limitation on DB Benefits – All Plans	215,000	220,000
Annual Contribution Limitation on DC Plan Contributions – All Plans	54,000	55,000

² The PR Treasury appears to have taken the administrative decision to disregard the change made to the highly compensated employee (HCE) threshold by Puerto Rico Act No. 9-2017. Act 9 amended the PR Code to, among others, modify the definition of 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 the US Code). In the next days, we shall be issuing a Groom Brief on Acts 9 and 106 and the apparent position of the PR Treasury on these Acts.

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