

Puerto Rico Treasury Announces Retirement Plan Limits for 2021

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PRACTICE AREAS

- Employee Benefits

An McV Employee Benefits Alert

February 3, 2021

On January 15, 2021, the Puerto Rico Treasury Department (“PR Treasury”) issued Internal Revenue Circular Letter No. 21-01 (“CL 21-01”) notifying the retirement plan limits that will apply to retirement plans qualified under Section 1081.01 of the Puerto Rico Internal Revenue Code of 2011, as amended, (the “PR Code”) for the year 2021.

The retirement plan limits applicable for taxable years beginning on or after January 1, 2021 are:

- The limitation on the annual benefit under a defined benefit plan under PR Code Section (a)(11)(A)(i) remains at \$230,000.
- The limitation on annual additions to a participant’s account under a defined contribution plan under PR Code Section 1081.01(a)(11)(B)(i) is \$58,000.
- The annual compensation limit under PR Section 1081.01(a)(12) is \$290,000.
- The compensation limit for a highly compensated employee under PR Code Section 1081.01(d)(3)(E)(iii) remains at \$130,000. Pursuant to Internal Revenue Circular Letter No. 19-17, this is the dollar limitation that must be used when determining whether an employee is highly compensated for the taxable year beginning in 2022 (\$130,000 also applies to 2021).
- The elective deferral (contribution) limit under PR Code Section 1081.01(d)(7)(A):
 - Remains unchanged at \$15,000 for a participant of a Puerto Rico-only qualified retirement plans; and
 - Remains at \$19,500 for a participant of a retirement plan sponsored by the U.S. Federal government and for a participant in a dual qualified plan (qualified under both PR Code and the U.S. Internal Revenue Code).
- The limit on catch-up contributions under PR Code Section 1081.01(d)(7)(C):
 - Remains unchanged at \$1,500 for an individual of age 50 or over participating in a retirement plan -other than a plan sponsored by the federal government; and

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- Remains unchanged at \$6,500 for an individual of age 50 or over participating in a retirement plan sponsored by the U.S. Federal government.
- The limitation on voluntary employee after-tax contributions under PR Code Section 1081.01(a)(15) remains at 10% of the participant's aggregate compensation for all the years of participation in the plan.

You can access CL 21-01 (Spanish version) [here](#).

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