

Puerto Rico Treasury Announces Retirement Plan Limits for 2019

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PRACTICE AREAS

- Employee Benefits

An McV Employee Benefits Alert

January 2, 2019

On January 2, 2019, the Puerto Rico Treasury Department issued Circular Letter No. 18-21 (“CL 18-21”) notifying the retirement plan limits that will apply to retirement plans qualified under the provisions of Section 1081.01 of the Puerto Rico Internal Revenue Code of 2011, as amended (the “PR Code”) for year 2019, including the applicable cost-of-living adjustments announced by the U.S. Internal Revenue Service (“IRS”) in IRS Notice 2018-83 of November 1, 2018.

The retirement plan limits applicable for taxable years beginning on or after January 1, 2019 are:

- The limitation on the annual benefit under a defined benefit plan under PR Code Section 1081.01(a)(11)(A)(i) is \$225,000.
- 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 \$56,000.
- The annual compensation limit under PR Code Section 1081.01(a)(12) is \$280,000.
- The dollar limitation used in the definition of a highly compensated employee under PR Code Section 1081.01(d)(3)(E)(iii)(IV) is \$125,000. This definition follows the compensation limit determined by the IRS under Section 414(q)(1)(B) of the US Internal Revenue Code of 1984, as amended.
- The elective deferral (contribution) limit under PR Code Section 1081.01(d)(7)(A)(ii) for an employee who participates in a dual-qualified retirement plan (a plan qualified under both the PR Code and the U.S. Internal Revenue Code of 1986, as amended), as well as for an employee who participates in a retirement plan sponsored by the federal government is \$19,000.
- The limit on catch-up contributions under PR Code Section 1081.01(d)(7)(C)(v) for employees who participate in retirement plans sponsored by the federal government is \$6,000.
- The elective deferral (contribution) limit for a participant of a Puerto Rico-only qualified retirement plan under PR Code Section 1081.01(d)(7)(A)(i) remains unchanged at \$15,000.

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- The limitation under PR Code Section 1081.01(d)(7)(C)(i) on catch-up contributions applicable to participants that are 50 years old in a retirement plan—other than a plan sponsored by the federal government remains unchanged at \$1,500.
- The limitation on voluntary after-tax contributions under PR Code Section 1081.01(a)(15) remains at 10% of participant's aggregate compensation for all years of participation in the plan.

A copy of CL 18-21 is available [here](#).

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