

Puerto Rico Treasury Announces Retirement Plan Limits for 2020

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An McV Employee Benefits Alert

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On December 28, 2019, the Puerto Rico Treasury Department (“PR Treasury”) issued Circular Letter No. 19-17 (“CL 19-17”) 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 year 2020, including the cost-of-living adjustments published by the U.S. Internal Revenue Service (“IRS”) in IRS Notice 2019-59 of November 6, 2019.

The retirement plan limits applicable for taxable years beginning on or after January 1, 2020 are:

- The limitation on the annual benefit under a defined benefit plan under PR Code Section 1081.01(a)(11)(A)(i) is **\$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 **\$57,000**
- The annual compensation limit under PR Code Section 1081.01(a)(12) is **\$285,000**
- The dollar limitation used in the definition of a highly compensated employee under PR Code Section 1081.01(d)(3)(E)(iii)(IV) is **\$130,000**. PR Treasury clarifies that the dollar limitation of \$125,000 for year 2019, as established by Circular Letter No. 18-21 of December 31, 2018, must be used when determining whether an employee is highly compensated for the taxable year beginning in 2020.
- 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 plan; and
 - Is **\$19,500** for a participant of a dual-qualified retirement plan (a plan qualified under both the PR Code and the U.S. Internal Revenue Code of 1986, as amended), and for a participant of a retirement plan sponsored by the federal government.
- The limit on catch-up contributions under PR Code Section 1081.01(d)(7)(C):

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

A copy of CL 19-17 is available **here**.

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