

**Tax & Employee Benefits Department
Notice to Clients and Friends**

Puerto Rico Treasury Department Notifies the 2023 Cost-of-Living Adjustments for Retirement Plans

As required by Section 1081.01(h) of the Puerto Rico Internal Revenue Code of 2011, as amended (the “PR Code”), the Puerto Rico Treasury Department recently issued Circular Letter of Internal Revenue No. 23-01 with the applicable 2023 dollar limits for Puerto Rico qualified retirement plans, following the recent announcement by the Internal Revenue Service (“IRS”) in IRS Notice 2022-55 with respect to United States tax qualified retirement plans. The Puerto Rico limitations are generally applicable to tax qualified plans under Section 1081.01 of the PR Code. Some of the key limits for tax years 2022 and 2023 are as follows with changes highlighted in yellow:

	2022	2023
Annual Benefit Limitation for Defined Benefit Plans	\$245,000	\$265,000
Annual Contribution Limitation for Defined Contribution Plans	\$61,000	\$66,000
Annual Compensation Limit	\$305,000	\$330,000
Highly Compensated Employee Threshold	\$135,000	\$150,000 *
Elective Deferrals – <u>Puerto Rico Only</u> Qualified Plans	\$15,000	\$15,000
Catch-up Contribution – <u>PR and Dual Qualified</u> plans with cash or deferred arrangements	\$1,500	\$1,500
Elective Deferrals Limit – <u>Dual Qualified</u> Plans and <u>Federal</u> Government Thrift Savings Plan	\$20,000	\$20,000**
Catch-up Contributions – <u>Federal</u> Government Thrift Savings Plan	\$6,500	\$7,500
Voluntary (<i>i.e.</i> , after-tax) Contribution Limitation	10% of Compensation since being plan participant	10% of Compensation since being plan participant

(*) This is the limit for the base year (2022 for year 2023 testing, and 2023 for 2024 testing) in the case of calendar year plans.

(**) For year 2023, elective deferral limits for Dual Qualified Plans may change if the Individual Retirement Account (“IRA”) contribution limits are increased pursuant to the proposed cost-of-living adjustments under the recent Puerto Rico House of Representative bill (PC 1576) pending to be enacted into law.

This document has been prepared for information purposes only and is not intended as and should not be relied upon as legal advice. If you have any questions or comments about the matters discussed in this notice, wish to obtain more information related thereto, or about its possible effect(s) on policy or operational matters, please contact us.