

**Tax & Employee Benefits Department**

November 2021

**NOTICE TO CLIENTS AND FRIENDS**

**IRS Announces the 2022 Cost-of-Living Adjustments for Retirement Plans**

The Internal Revenue Service (“IRS”) recently issued Notice 2021-61 to announce retirement pension plans’ applicable cost-of-living adjustments affecting dollar limitations for the tax year 2022. Some of the key limits compared for the tax years 2022 and 2021 of importance to Puerto Rico tax qualified plans are as follows:

	2021	2022
Annual Benefit Limitation for Defined Benefit Plans	\$230,000	\$245,000
Annual Compensation Limit	\$290,000	\$305,000
Annual Contribution Limitation for Defined Contribution Plans	\$58,000	\$61,000
Highly Compensated Employee Threshold	\$130,000	\$135,000
Elective Deferrals Limit – (Applicable in Puerto Rico to <u>Dual Qualified Plans</u> and <u>Federal Government Thrift Savings Plan</u> )	\$19,500	\$20,500
Catch-up Contributions – (Applicable in Puerto Rico to <u>Federal Government Thrift Savings Plan</u> )	\$6,500	\$6,500

This announcement generally applies to qualified plans under the United States Internal Revenue Code of 1986, as amended. However, employers and administrators of tax qualified plans under the Puerto Rico Internal Revenue Code of 2011, as amended (the “PR Code”), must be aware that Section 1081.01(h) of the PR Code requires that, before every taxable year, the Puerto Rico Treasury Department (the “PRTD”) notify the cost-of-living adjustments announced by the IRS that will, in turn, apply to plans qualified under the PR Code. Accordingly, **it is expected that the PRTD issues upcoming guidance to announce these same plan limits for PR Code tax qualified plans for the tax year 2022 as it did for year 2021 under PRTD Circular Letter of Internal Revenue No. 21-01.** We will update you as soon as we receive confirmation from the PRTD to this end.

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*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.*

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