

**Puerto Rico Treasury Department Notifies the 2018 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 (“PR Treasury”) recently issued Circular Letter of Tax Policy No. 17-02 (“CL TP 17-02”) with the applicable 2018 dollar limits for Puerto Rico qualified retirement plans, following the recent announcement by the Internal Revenue Service (“IRS”) in IRS Notice 2017-64 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 2017 and 2018 are as follows with changes highlighted in yellow:

|  | 2017   | 2018   |
|--|--|--|
| Annual Benefit Limitation for Defined Benefit Plans  | \$215,000  | \$220,000  |
| Annual Contribution Limitation for Defined Contribution Plans                              | \$54,000   | \$55,000   |
| Annual Compensation Limit  | \$270,000  | \$275,000  |
| Highly Compensated Employee Threshold  | \$120,000  | \$120,000 *                                      |
| Elective Deferrals – Puerto Rico Only Qualified Plans                                      | \$15,000   | \$15,000   |
| Catch-up Contribution – PR and Dual Qualified plans with cash or deferred arrangements     | \$1,500  | \$1,500  |
| Elective Deferrals Limit – Dual Qualified Plans and Federal Government Thrift Savings Plan | \$18,000   | \$18,500   |
| Catch-up Contributions – Federal Government Thrift Savings Plan                            | \$6,000  | \$6,000  |
| Voluntary (i.e., after-tax) Contribution Limitation  | 10% of Compensation since being plan participant | 10% of Compensation since being plan participant |

\* Act No. 9-2017 amended the PR Code, among other, to modify the definition of highly compensated employee (“HCE”) by increasing the HCE compensation threshold from \$120,000 to \$150,000. CL TP 17-02 did not consider Act No. 9-2017’s HCE threshold modification, and therefore, we expect further clarification from PR Treasury on the matter.

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