

Puerto Rico Treasury Department Notifies the 2019 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 Internal Revenue No. 18-21 (“CL IR 18-21”) with the applicable 2019 dollar limits for Puerto Rico qualified retirement plans, following the recent announcement by the Internal Revenue Service (“IRS”) in IRS Notice 2018-83 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 2018 and 2019 are as follows with changes highlighted in **yellow**:

| | 2018 | 2019 |
|--|--|--|
| Annual Benefit Limitation for Defined Benefit Plans | \$220,000 | \$225,000 |
| Annual Contribution Limitation for Defined Contribution Plans | \$55,000 | \$56,000 |
| Annual Compensation Limit | \$275,000 | \$280,000 |
| Highly Compensated Employee Threshold | \$120,000 * | \$125,000 * |
| 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 | \$18,500 | \$19,000 |
| Catch-up Contributions – <u>Federal</u> Government Thrift Savings Plan | \$6,000 | \$6,000 |
| Voluntary (<i>i.e.</i> , 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. However Act 257-2018 eliminated this provision and restated the tie in to the limits under Section 414(q)(1)(B) of the United States Internal Revenue Code of 1986, as amended.

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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