

Puerto Rico Treasury Announces Key Benefit Plan Limits for 2016

Puerto Rico's Secretary of Treasury has announced the qualified retirement plan limits for 2016.

Background

Puerto Rico's Internal Revenue Code of 2011 (as amended) provides that after the U.S. Internal Revenue Service announces its limits for U.S. qualified retirement plans, Puerto Rico's Treasury Department will issue written guidance on the limits that apply to Puerto Rico qualified plans.

Circular Letter Announces 2016 Limits for Puerto Rico Qualified Retirement Plans

The table below lists the key 2016 limits specified in [Circular Letter #15-16](#), the corresponding 2015 limits, and the U.S. Internal Revenue Code (Code) sections that specify analogous limits.

Puerto Rico Internal Revenue Code Limit [Section]	Analogous U.S. Code Section Specifying Limit	2016	2015
Elective deferral maximum for participants in plans only qualified in Puerto Rico [§1081.01(d)(7)(A)(i)], and participants in dual-qualified plans attaining age 75 by the end of the year [§1081.01(d)(7)(A)(iii)]	None	\$ 15,000	\$ 15,000
Elective deferral maximum for U.S. government employees and dual-qualified plan participants not attaining age 75 by the end of the year [§1081.01(d)(7)(A)(ii)]	§402(g)(1)(B)	\$ 18,000	\$ 18,000

Puerto Rico Internal Revenue Code Limit [Section]	Analogous U.S. Code Section Specifying Limit	2016	2015
Dual-qualified plans — combined limit on elective deferrals (other than catch-ups) and up to \$5,000 in deductible IRA contributions for those not attaining age 75 by the end of the year [§1081.01(d)(7)(A)(iii)]	None	\$ 20,000	\$ 20,000
Lifetime cap on after-tax contributions as a percentage of pay earned while a participant [§1081.01(a)(15)]	None	10%	10%
Defined benefit dollar maximum [§1081.01(a)(11)(A)(i)]	§415(b)(1)(A)	\$ 210,000	\$ 210,000
Defined contribution annual addition dollar maximum [§1081.01(a)(11)(B)(i)]	§415(c)(1)(A)	\$ 53,000	\$ 53,000
Age 50 catch-up deferral limit, other than for U.S. government employees [§1081.01(d)(7)(C)(i)]	§414(v)(2)(B)(i)	\$ 1,500	\$ 1,500
Age 50 catch-up deferral limit for U.S. government employees only (e.g., federal Thrift Savings Plan), [§1081.01(d)(7)(C)(v)]	§414(v)(2)(B)(i)	\$ 6,000	\$ 6,000
Annual compensation limit [§1081.01(a)(12)]	§401(a)(17)(A)	\$ 265,000	\$ 265,000
Highly compensated employee limit [§1081.01(d)(3)(E)(iii)(IV)]	§414(q)(1)(B)(i)	\$ 120,000	\$ 120,000

Note that for purposes of the above elective deferral limits, dual-qualified plans are plans that meet the requirements of both Section 1081.01(d) of the Puerto Rico Internal Revenue Code and 401(k) of the U.S. Code. In addition, the dual-qualified limits will apply to an individual who is a participant in multiple plans of an employer, for example, a U.S. qualified plan and a Puerto Rico qualified plan. Plans sponsored by the U.S. government (such as the federal Thrift Savings Plan) are also considered dual-qualified.

Circular Letter 15-16 also reminds employers who maintain dual-qualified plans that they are still subject to the Puerto Rico tax reporting and withholding requirements with respect to distributions made to Puerto Rico residents — even if the plan is U.S. qualified and benefits are paid from a trust established and operated in the United States.

Comment: Retirement plan distributions to Puerto Rico residents are subject to reporting on Puerto Rico [Form 480.7C](#). If the plan's trust is established and located in the U.S., or the Puerto Rico resident earned some of the benefit while working in the U.S. (outside of Puerto Rico), IRS Form 1099-R reporting may also apply to some or all of the distribution.

In Closing

Plan sponsors should ensure that documents and employee communications are updated to reflect the adjusted 2016 limits, and take steps to properly apply these limits in the administration of Puerto Rico qualified or dual-qualified retirement plans.

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