

## Puerto Rico Treasury Announces Key Benefit Plan Limits for 2017

Puerto Rico’s secretary of Treasury has announced the qualified retirement plan limits for 2017.

### Background

Puerto Rico’s Internal Revenue Code of 2011 (as amended) provides that after the US Internal Revenue Service announces its limits for US 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 2017 Limits for Puerto Rico Qualified Retirement Plans

The table below lists the key 2017 limits specified in [Circular Letter #16-07](#), the corresponding 2016 limits, and the US Internal Revenue Code (Code) sections that specify analogous limits.

Puerto Rico Internal Revenue Code Limit [Section]	Analogous US Code Section Specifying Limit	2017	2016
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 US 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
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%

Puerto Rico Internal Revenue Code Limit [Section]	Analogous US Code Section Specifying Limit	2017	2016
Defined benefit dollar maximum [§1081.01(a)(11)(A)(i)]	§415(b)(1)(A)	\$215,000	\$210,000
Defined contribution annual addition dollar maximum [§1081.01(a)(11)(B)(i)]	§415(c)(1)(A)	\$54,000	\$53,000
Age 50 catch-up deferral limit, other than for US government employees [§1081.01(d)(7)(C)(i)]	§414(v)(2)(B)(i)	\$ 1,500	\$ 1,500
Age 50 catch-up deferral limit for US 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)	\$270,000	\$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 US 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 US qualified plan and a Puerto Rico qualified plan. Plans sponsored by the US government (such as the federal Thrift Savings Plan) are also considered dual-qualified.

Circular Letter 16-07 also reminds employers who maintain dual-qualified plans that they are still subject to the Puerto Rico tax reporting and withholding requirements for distributions made to Puerto Rico residents — even if the plan is US 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 US, or the Puerto Rico resident earned some of the benefit while working in the US (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 2017 limits, and take steps to apply these limits properly in the administration of Puerto Rico qualified or dual qualified retirement plans.

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