

## 2025 Puerto Rico Retirement Plan Limits

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### An McV Employee Benefits Alert

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On January 22, 2025, the Puerto Rico Treasury Department (“PR Treasury”) issued Internal Revenue Circular Letter No. 25-01 (“CL 25-01”) to notify the limits that will apply to retirement plans qualified under Section 1081.01(a) of the Puerto Rico Internal Revenue Code of 2011, as amended (the “PR Code”), for the year 2025, including cost-of living adjustments published by the U.S. Internal Revenue Service (“IRS”) in IRS Notice 2024-80, IR-2024-285 of November 1, 2024.

The retirement plan limits applicable for the taxable year beginning on or after January 1, 2025, are:

- The limitation on the annual benefit under a defined benefit plan under PR Code Section 1081.01(a)(11)(A)(i) is raised from \$275,000 to **\$280,000**.
- The limitation on annual additions to a participant’s account under a defined contribution plan under PR Code Section 1081.01(a)(11)(B)(i) is raised from \$69,000 to **\$70,000**.
- The annual compensation limit under PR Section 1081.01(a)(12) is raised from \$345,000 to **\$350,000**.
- The compensation limit for a highly compensated employee under PR Code Section 1081.01(d)(3)(E)(iii) is raised from \$155,000 to **\$160,000**. As interpreted by PR Treasury in Internal Revenue Circular Letter No. 19-17, **\$155,000** (the 2024 compensation limit) is the dollar limitation that must be used for nondiscrimination testing purposes when determining whether an employee is highly compensated for the 2025 taxable year, and the new 2025 compensation limit (**\$160,000**) for the 2026 taxable year.
- The elective deferral (contribution) limit under PR Code Section 1081.01(d)(7)(A):
  - Remains unchanged at **\$15,000** for a participant in a Puerto Rico-only qualified retirement plan since this limit is not adjusted; and
  - Remains capped at **\$20,000** under PR Code Section 1081.01(d)(7)(A)(ii) for a participant in a retirement plan sponsored by the U.S. Federal Government and for a participant in a dual-qualified plan (i.e., retirement plan qualified under both PR Code Section 1081.01(d) and Section 401(k) of the U.S. Internal Revenue Code of 1986, as amended (the “US Code”)).

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Although the limit was raised under the US Code from \$23,000 to \$23,500 for 2025, any amount contributed over the maximum PR Code cap of \$20,000 will be deemed taxable for Puerto Rico income tax purposes.

- The limit on catch-up contributions under PR Code Section 1081.01(d)(7)(C):
  - Remains unchanged at **\$1,500** for an individual aged 50 or over participating in a retirement plan -other than a plan sponsored by the U.S. Federal Government; and
  - Remains unchanged at **\$7,500** for an individual aged 50 or over participating in a retirement plan sponsored by the U.S. Federal Government.
- The limitation on voluntary employee after-tax contributions under PR Code Section 1081.01(a)(15) remains unchanged at **10% of the participant's aggregate compensation** for all the years of participation in the plan.

You can access CL 25-01 at <https://hacienda.pr.gov/publicaciones/carta-circular-de-rentas-internas-num-25-01-cc-ri-25-01>.

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