

## Puerto Rico Treasury Department Announces 2026 Annual Limits to Qualified Retirement Plans

### ATTORNEYS

- Lillian Toro-Mojica
- Carlos J. Villafañe-Real
- Yamarly I. González-Berríos
- Juan Luis Alonso
- Leyla González-Ibarría
- Angel S. Ruiz-Rodríguez
- Mayleen Santiago-Garcés

### PRACTICE AREAS

- Employee Benefits

### An McV Employee Benefits Alert

February 26, 2026

On February 20, 2026, the Puerto Rico Treasury Department (“PR Treasury”) issued Internal Revenue Circular Letter No. 26-03 (“CL 26-013”) to notify the 2026 annual 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”), including applicable cost-of living adjustments published by the U.S. Internal Revenue Service (“IRS”) in IRS Notice 2025-67, IR-2025-111 of November 13, 2025.

Below are the retirement plan limits applicable to the taxable year beginning on or after January 1, 2026:

- The limitation on the annual benefit under a defined benefit plan under PR Code Section 1081.01(a)(11)(A)(i) increases from \$280,000 to **\$290,000**.
- 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) increases from \$70,000 to **\$72,000**.
- The annual compensation limitation under PR Section 1081.01(a)(12) increases from \$350,000 to **\$360,000**.
- The annual compensation limitation for a highly compensated employee under PR Code Section 1081.01(d)(3)(E)(iii) remains at **\$160,000**
- The annual elective deferral (contribution) limit under PR Code Section 1081.01(d)(7)(A) varies depending on the retirement plan, as follows:
  - For a participant in a Puerto Rico only qualified plan or a dual qualified plan not adopting the modified limits discussed below, the annual limitation remains unchanged at **\$15,000**, without indexing for cost of living;
  - For a participant in a retirement plan sponsored by the U.S. Federal Government, the annual limitation increases from \$23,500 to **\$24,500**; 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 (“US Code”)) that has adopted

## Puerto Rico Treasury Department Announces 2026 Annual Limits to Qualified Retirement Plans

---

the special limit under the PR Code, the annual limitation increases from \$20,000 to **\$22,500** due to the changes introduced by Act No. 179-2025, which amended the annual contribution limits (per taxpayer) for Puerto Rico Individual Retirement Accounts (“PR IRAs”) to mirror the maximum limit established under US Code Section 219(b)(5)(A), as annually adjusted by the IRS for cost-of-living-increases (*i.e.*, \$15,000 pre-tax + \$7,500 PR IRA). See our January 7, 2026 Alert.

- The annual limitation 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
  - Increases from \$7,500 to **\$8,000** for an individual aged 50 or over participating in a retirement plan sponsored by the U.S. Federal Government.
- The annual 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 26-03 [here](#).

The content of this McV Alert has been prepared for information purposes only. It is not intended as, and does not constitute, either legal advice or solicitation of any prospective client. An attorney-client relationship with McConnell Valdés LLC cannot be formed by reading or responding to this McV Alert. Such a relationship may be formed only by express agreement with McConnell Valdés LLC.