

PR Treasury Announces Plan Contribution Limits for 2024

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PRACTICE AREAS

- Employee Benefits

An McV Employee Benefits Alert

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On January 30, 2024, the Puerto Rico Treasury Department (“PR Treasury”) issued Internal Revenue Circular Letter No. 24-01 (“CL 24-01”) notifying the retirement plan 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 2024, including the cost-of living adjustments published by the U.S. Internal Revenue Service (“IRS”) in IRS Notice 2023-75, IR-2023-203 of November 1, 2023.

The retirement plan limits applicable for taxable years beginning on or after January 1, 2024, 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 \$265,000 to **\$275,000**.
- 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 \$66,000 to **\$69,000**.
- The annual compensation limit under PR Section 1081.01(a)(12) is raised from \$330,000 to **\$345,000**.
- The compensation limit for a highly compensated employee under PR Code Section 1081.01(d)(3)(E)(iii) is raised from \$150,000 to **\$155,000**. As interpreted by PR Treasury in Internal Revenue Circular Letter No. 19-17, **\$150,000** (the 2023 compensation limit) is the dollar limitation that must be used for nondiscrimination testing purposes when determining whether an employee is highly compensated for the 2024 taxable year, and the new 2024 compensation limit (**\$155,000**) for the 2025 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

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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”), although it was raised under the US Code from \$22,500 to **\$23,000**. Any amount contributed over the maximum PR Code cap (\$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 24-01 [here](#).

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