



Puerto Rico cost-of-living adjustments for 2017

On December 8, 2016, the Secretary of the Puerto Treasury Department (“Hacienda”) announced the 2017 cost-of-living adjustments to certain Puerto Rico plan limits in Circular Letter of Tax Policy 16-07. Consistent with the plan limits and thresholds under the U.S. Internal Revenue Code, certain 2017 Puerto Rico limits and thresholds have changed from 2016.

	U.S. 2017 Limit	Puerto Rico 2017 Limit	
Defined Contribution Limitation (Annual Additions)	\$ 54,000	\$ 54,000	
Defined Benefit Limitation	\$ 215,000	\$ 215,000	
Annual Compensation Limit	\$ 270,000	\$ 270,000	
Annual Deferral Limit for 401(k) Plans	\$ 18,000	\$ 18,000	Dual Qualified Plans
		\$ 15,000	Puerto Rico-Only Plans
Annual Catch-Up Deferral Limit	\$ 6,000	\$ 1,500	
Threshold Amount for Determining Key Employees:			
Officers Earning More Than	\$ 175,000	not applicable	
Threshold Amount for Determining HCEs in Lookback Year:			
Employees Earning More Than	\$ 120,000	\$ 120,000	
Threshold Amount for Determining HCEs in Lookback Year:			
Employees in Top 20% Earning More Than	\$ 120,000	\$ 120,000	

In addition, Puerto Rico participants in both dual-qualified plans and Puerto Rico-only qualified plans are subject to a limit on after-tax contributions. For 2017, this limit remains 10% of the employee’s aggregate compensation during the time the employee is a plan participant.

Puerto Rico taxation, reporting and withholding

This year’s Circular Letter reminds sponsors from Puerto Rico tax qualified retirement plans that all participants and beneficiaries who are residents of Puerto Rico at the time distributions are made, and all individuals who were residents of Puerto Rico while they were active plan participants accruing plan benefits or receiving plan contributions are subject to Puerto Rico income taxation. It also reminds plan sponsors that distributions from both dual qualified plans and Puerto Rico-only qualified plans are subject to Puerto Rico withholding (at 10% or 20%) and tax reporting on Form 480.7C. Prudential Retirement assists sponsors of dual qualified plans with satisfying these tax withholding and reporting requirements.

This publication is distributed with the understanding that Prudential Retirement is not rendering legal advice. Plan sponsors should consult their attorneys about the application of any law to their retirement plans.
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