

Many Retirement Plan Dollar Limits Are Changed For 2013

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IRS has announced the 2013 cost-of-living adjustments (COLAs) for retirement plans. Many of the limits related to pension and other retirement plans, which are adjusted by reference to Code Sec. 415(d), are changed for 2013 since the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, others remain unchanged. Certain dollar limit changes keyed to Code Sec. 1(f)(3), some of which were previously calculated by RIA (see Weekly Alert ¶ 17 9/20/2012), have also increased.

The following plan limits are increased effective Jan. 1, 2013:

- **Defined benefit plans.** The limitation on the annual benefit under a defined benefit plan under Code Sec. 415(b)(1)(A) is increased from \$200,000 to \$205,000. For participants who separated from service before Jan. 1, 2013, the 100% of average high-three-years' compensation under Code Sec. 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2012, by 1.0170.
- **Defined contribution plans.** The limit on the annual additions to a participant's defined contribution account under Code Sec. 415(c)(1)(A) is increased from \$50,000 to \$51,000.
- **Annual compensation limit.** The maximum amount of annual compensation that can be taken into account for various qualified plan purposes, including Code Sec. 401(a)(17), Code Sec. 404(l), Code Sec. 408(k)(3)(C), and Code Sec. 408(k)(6)(D)(ii), is increased from \$250,000 to \$255,000.
- **Elective deferrals.** The Code Sec. 402(g)(1) limit on the exclusion for elective deferrals described in Code Sec. 402(g)(3) is increased from \$17,000 to \$17,500. This limitation affects elective deferrals to Section 401(k) plans, Section 403(b) plans, and the Federal Government's Thrift Savings Plan.
- **Deferred compensation plans.** The limit on deferrals under Code Sec. 457(e)(15), concerning deferred compensation plans of state and local governments and tax-exempt organizations, is increased from \$17,000 to \$17,500.
- **ESOP five-year distribution period.** The dollar amount under Code Sec. 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a five-year distribution period is increased from \$1,015,000 to \$1,035,000, while the dollar amount used to determine the lengthening of the five-year distribution period is increased from \$200,000 to \$205,000.
- **Government plans.** The annual compensation limitation under Code Sec. 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on

July 1, '93 allowed COLAs to the plan's compensation limit under Code Sec. 401(a)(17) to be taken into account, is increased from \$375,000 to \$380,000.

- **SIMPLE accounts.** The maximum amount of compensation an employee may elect to defer under Code Sec. 408(p)(2)(E) for a SIMPLE plan is increased from \$11,500 to \$12,000.

The following plan limits are unchanged:

- **Catch-up contributions.** The dollar limit under Code Sec. 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Code Sec. 401(k)(11) (SIMPLE 401(k) plan) or Code Sec. 408(p) (SIMPLE IRA) for individuals aged 50 or over remains unchanged at \$5,500. The dollar limit under Code Sec. 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Code Sec. 401(k)(11) or Code Sec. 408(p) for individuals aged 50 or over remains unchanged at \$2,500.
- **Key employee in top-heavy plan.** The dollar limit under Code Sec. 416(i)(1)(A)(i) relating to the definition of a key employee in a top-heavy plan remains unchanged at \$165,000.
- **Highly compensated employee.** The dollar limit used in defining a highly compensated employee under Code Sec. 414(q)(1)(B) remains unchanged at \$115,000.
- **Control employee.** The employee compensation amount used in the definition of "control employee" for purposes of the auto commuting rule of Reg. § 1.61-21(f)(5)(i) remains unchanged at \$100,000; and the compensation amount under Reg. § 1.61-21(f)(5)(iii) remains unchanged at \$205,000.
- **Simplified employee pensions (SEPs).** The compensation limit under Code Sec. 408(k)(2)(C) (amount of compensation above which an employee who meets other requirements must be able to participate in the employer's SEP plan) remains unchanged at \$550.

The following plan limits calculated by reference to Code Sec. 1(f)(3) are increased:

- **Excess employee compensation for purposes of determining installment acceleration amounts.** The Code Sec. 430(c)(7)(D)(i)(II) limit used to determine excess employee compensation for single-employer defined benefit plans for which the special election under Code Sec. 430(c)(2)(D) has been made is increased from \$1,039,000 to \$1,066,000.
- **IRA and Roth IRA income limits.** The 2013 figures reported by IRS for the income limits used to determine traditional IRA deductions and Roth IRA contributions are identical to the figures previously calculated by RIA and reported at Weekly Alert ¶ 17 9/20/2012.

- **Saver's credit AGI amounts.** The 2013 AGI figures reported by IRS for the saver's credit, under which an eligible lower-income taxpayer can claim a nonrefundable tax credit for the applicable percentage (50%, 20%, or 10%, depending on filing status and AGI) of up to \$2,000 of his qualified retirement savings contributions, are identical to the figures previously calculated by RIA and reported at Weekly Alert ¶ 17 9/20/2012.