

2016 Cost of Living Adjustments for Retirement Plans

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The Internal Revenue Service recently announced its cost-of-living adjustments applicable to dollar limitations for retirement plans and Social Security generally effective for Tax Year 2016 (see [IR-2015-118](#)). Most notably, the limitation on annual salary deferrals into a 401(k) plan (along with the other retirement plan limitations) remains unchanged. The dollar limits are as follows:

LIMIT	2015	2016
401(k)/403(b) Elective Deferral Limit (IRC § 402(g)) The annual limit on an employee's elective deferrals to a 401(k) or 403(b) plan made through salary reduction.	\$18,000	\$18,000
Government/Tax Exempt Deferral Limit (IRC § 457(e)(15)) The annual limit on an employee's elective deferrals concerning Section 457 deferred compensation plans of state and local governments and tax-exempt organizations.	\$18,000	\$18,000
401(k)/403(b)/457 Catch-up Limit (IRC § 414(v)(2)(B)(i)) In addition to the regular limit on elective deferrals described above, employees over the age of 50 generally can make an additional "catch-up" contribution not to exceed this limit.	\$6,000	\$6,000
Defined Contribution Plan Limit (IRC § 415(c)) The limitation for annual contributions to a defined contribution plan (such as a 401(k) plan or profit sharing plan).	\$53,000	\$53,000
Defined Benefit Plan Limit (IRC § 415(b)) The limitation on the annual benefits from a defined benefit plan.	\$210,000	\$210,000

For more information on this or other workplace developments, please contact the Jackson Lewis attorney with whom you regularly work.

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Practices

Employee Benefits

LIMIT	2015	2016
Annual Compensation Limit (IRC § 401(a)(17))		
The maximum amount of compensation that may be taken into account for benefit calculations and nondiscrimination testing.	\$265,000 (\$395,000 for certain gov't plans)	\$265,000 (\$395,000 for certain gov't plans)
Highly Compensated Employee Threshold (IRC § 414(q))		
The definition of an HCE includes a compensation threshold for the <i>prior</i> year. A retirement plan's discrimination testing is based on coverage and benefits for HCEs.	\$120,000 (for 2016 HCE determination)	\$120,000 (for 2016 HCE determination)
Key Employee Compensation Threshold (IRC § 416)		
The definition of a key employee includes a compensation threshold. Key employees must be determined for purposes of applying the top-heavy rules. Generally, a plan is top-heavy if the plan benefits of key employees exceed 60% of the aggregate plan benefits of all employees.	\$170,000	\$170,000
SEP Minimum Compensation Limit (IRC § 408(k)(2)(C))		
The mandatory participation requirements for a simplified employee pension (SEP) includes this minimum compensation threshold.	\$600	\$600
SIMPLE Employee Contribution (IRC § 408(p)(2)(E))		
The limitation on deferrals to a SIMPLE retirement account.	\$12,500	\$12,500
SIMPLE Catch-up Limit (IRC § 414(v)(2)(B)(ii))		
The maximum amount of catch-up contributions that individuals age 50 or over may make to a SIMPLE retirement account or SIMPLE 401(k) plan.	\$3,000	\$3,000
Social Security Taxable Wage Base	\$118,500	\$118,500

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