

## **MANY RETIREMENT PLAN DOLLAR LIMITS ARE CHANGED FOR 2015**

The IRS has announced the 2015 cost-of-living adjustments (COLAs) for retirement plans. Many of the limits pertaining to pension and other retirement plans, which are adjusted by reference to the tax Code, are changed for 2015 since the increase in the cost-of-living index met the statutory thresholds which trigger their adjustment. However, others remain unchanged. Certain dollar limit changes keyed to certain Code Sections.

- The following plan limits are increased effective January 1, 2015:
  - **Catch-up contributions.** The dollar limit for catch-up contributions to an applicable employer plan, other than a SIMPLE 401(k) plan or SIMPLE IRA, for individuals aged 50 or over increases from \$5,500 in 2014 to \$6,000 in 2015. The dollar limit for catch-up contributions to an applicable employer 401(k) for individuals aged 50 or over increases from \$2,500 in 2014 to \$3,000 in 2015.
  - **Defined contribution plans.** The limit on the annual additions to a participant's defined contribution account increases from \$52,000 in 2014 to \$53,000 in 2015.
  - **Elective deferrals.** The limit on the exclusion for elective deferrals increases from \$17,500 in 2014 to \$18,000 in 2015. This limitation affects elective deferrals to 401(k) plans, 403(b) plans and the Federal Government's Thrift Savings Plan.
  - **Annual compensation limit.** The maximum amount of annual compensation which can be taken into account for various qualified plan purposes increases from \$260,000 in 2014 to \$265,000 in 2015.
  - **ESOP five-year distribution period.** The dollar amount for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a 5-year distribution period increases from \$1,050,000 in 2014 to \$1,070,000 in 2015, while the dollar amount used to determine the lengthening of the 5-year distribution period remains unchanged at \$210,000 for 2015.
  - **Highly compensated employee.** The dollar limit used in defining a highly compensated employee increases from \$115,000 in 2014 to \$120,000 in 2015.
  - **Government plans.** The annual compensation limitation for eligible participants in certain governmental plans which, under the plan as in effect on July 1, 1993 allowed COLAs to the plan's compensation limit to be taken into account, increases from \$385,000 in 2014 to \$395,000 in 2015.
  - **Simplified employee pensions (SEPs).** The compensation limit (amount of compensation above which an employee who meets other participation requirements to be able to participate in the employer's SEP plan) increases from \$550 in 2014 to \$600 in 2015.

- **SIMPLE accounts.** The maximum amount of compensation an employee may elect to defer for a SIMPLE plan increases from \$12,000 in 2014 to \$12,500 in 2015.
- **Deferred compensation plans.** The limit on deferrals, concerning deferred compensation plans of state and local governments and tax-exempt organizations, increases from \$17,500 in 2014 to \$18,000 in 2015.
- The following plan limits are unchanged:
  - **Defined benefit plans.** The limitation on the annual benefit under a defined benefit plan remains unchanged at \$210,000 for 2015. For participants who separated from service before January 1, 2015, the 100% of average high-three-years' compensation is computed by multiplying the participant's compensation limitation, as adjusted through 2014, by 1.0178.
  - **Key employee in top-heavy plan.** The dollar limit relating to the definition of a key employee in a top-heavy plan remains unchanged at \$170,000 for 2015.
  - **Control employee.** The employee compensation amount used in the definition of "control employee" for purposes of the auto commuting rule remains unchanged at \$105,000 for 2015. However, the compensation amount increases from \$210,000 in 2014 to \$215,000 in 2015.
  - **IRA and Roth IRA income limits.** The deductible amount for an individual making qualified retirement contributions remains unchanged at \$5,500 for 2015. The 2015 amounts for the income limits used to determine traditional IRA deductions and Roth IRA contributions are identical to the amounts for 2014.

This Hot Topic is an informative publication for our clients and friends of the Firm. It is designed to provide accurate information on the subject matter covered. We recommend you consult with your legal and other advisors to determine if the information is applicable in your specific circumstances. If these advisors are not available to you, please feel free to contact Barry N. Finkelstein, CPA at 903/473-3540.