

MANY RETIREMENT PLAN DOLLAR LIMITS ARE UNCHANGED FOR 2016

The IRS has announced the 2016 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 unchanged for 2016 since the increase in the cost-of-living index didn't meet the statutory thresholds which trigger their adjustment. However, one has changed.

■ The following plan limits are unchanged for 2016:

- *Elective deferrals.* The Code limit on the exclusion for elective deferrals described in the Code remains at \$18,000 for 2016. This limitation affects elective deferrals to Section 401(k) plans, Section 403(b) plans, and the Federal Government's Thrift Savings Plan.
- *Catch-up contributions.* The dollar limit under the Code 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 remains at \$6,000 for 2016. The dollar limit under the Code 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 at \$3,000 for 2016.
- *Defined benefit plans.* The limitation on the annual benefit under a defined benefit plan remains unchanged at \$210,000 for 2016. For participants who separated from service before January 1, 2016, the 100% of average high-three-years' compensation under the Code is computed by multiplying the participant's compensation limitation, as adjusted through 2015, by 1.0011.
- *Defined contribution plans.* The limit on the annual contribution to a participant's defined contribution account remains at \$53,000 for 2016.
- *Annual compensation limit.* The maximum amount of annual compensation which can be taken into account for various qualified plan purposes, remains at \$265,000 for 2016.
- *Key employee in top-heavy plan.* The dollar limit under the Code relating to the definition of a key employee in a top-heavy plan remains unchanged at \$170,000 for 2016.
- *ESOP 5-year distribution period.* The dollar amount under the Code for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a 5-year distribution period remains at \$1,070,000 for 2016, while the dollar amount used to determine the lengthening of the 5-year distribution period remains unchanged at \$210,000 for 2016.
- *Highly compensated employee.* The dollar limit used in defining a highly compensated employee remains at \$120,000 for 2016.
- *Government plans.* The annual compensation limitation under the Code for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed COLAs to the plan's compensation limit to be taken into account, remains at \$395,000 for 2016.

- *Simplified employee pensions (SEPs)*. The compensation limit under the Code (amount of compensation above which an employee who meets other requirements must be able to participate in the employer's SEP plan) remains at \$600 for 2016.
 - *SIMPLE accounts*. The maximum amount of compensation an employee may elect to defer under the Code for a SIMPLE plan remains at \$12,500 for 2016.
 - *Deferred compensation plans*. The limit on deferrals under the Code concerning deferred compensation plans of state and local governments and tax-exempt organizations remains at \$18,000 for 2016.
 - *Control employee*. The employee compensation amount used in the definition of "control employee" for purposes of the auto commuting rules remains at \$105,000 for 2016. The compensation amount remains at \$215,000 for 2016.
- The following plan limit has increased for 2016:
- *Multi-employer plans in endangered status or critical status*. The threshold used to determine whether a Multi employer plan is a "systematically important plan" under the Code is increased in 2016 from \$1,000,000,000 to \$1,012,000,000.
- The following plan limits calculated by reference to Code Sec. 1(f)(3):
- *IRA and Roth IRA income limits*. The deductible amount under the Code for an individual making qualified retirement contribution remains unchanged at \$5,500 for 2016.
 - *Excess employee compensation for purposes of determining installment acceleration amounts*. The Code limit used to determine excess employee compensation for single-employer defined benefit plans for which the special election under the appropriate Code Section has been made increases from \$1,101,000 in 2015 to \$1,106,000 in 2016.

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