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IRS Announces Pension Plan Limitations for Tax Year 2013

By Employee Benefits Practice Group

The Internal Revenue Service has released a detailed list of pension plan and other retirement-related contribution limitations for Tax Year 2013 that were triggered by increases to the cost of living. A number of the pension plan limitations will change for 2013 because the increase in the cost-of-living index met the statutory thresholds for the adjustment. Other limitations, however, will remain unchanged.

Key Changes for 2013

- The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from \$17,000 to \$17,500.
- The limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) of the Internal Revenue Code is increased from \$200,000 to \$205,000.
- The limitation for defined contribution plans under Section 415(c)(1)(A) is increased from \$50,000 to \$51,000.
- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$250,000 to \$255,000.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$59,000 and \$69,000, up from \$58,000 and \$68,000 in 2012. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$95,000 to \$115,000, up from \$92,000 to \$112,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$178,000 and \$188,000, up from \$173,000 and \$183,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is increased to \$112,000 to \$127,000, up from \$110,000 to \$125,000, for singles and heads of household. For married couples filing jointly, the income phase-out range is \$178,000 to

\$188,000, up from \$173,000 to \$183,000. For a married individual filing a separate return who is covered by a retirement plan at work, the phase-out range remains unchanged at \$0 to \$10,000.

- The AGI limit for the saver's credit (also known as the retirement savings contributions credit) for low- and moderate-income workers is \$59,000 for married couples filing jointly, up from \$57,500 in 2012; \$44,250 for heads of household, up from \$43,125; and \$29,500 for married individuals filing separately and for singles, up from \$28,750.
- The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased in 2013 from \$11,500 to \$12,000.
- The deductible amount under Section 219(b)(5)(A) for an individual making qualified retirement contributions is increased in 2013 from \$5,000 to \$5,500.

Key Limits Remaining Unchanged

- The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan remains unchanged at \$165,000.
- The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) remains unchanged at \$115,000.
- The compensation amounts under Section 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at \$100,000. The compensation amount under Section 1.61-21(f)(5)(iii) also remains unchanged at \$205,000.
- The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$5,500. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$2,500.
- The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$550.

If you would like further information, please contact your Littler attorney at 1.888.Littler or info@littler.com, or any member of Littler Mendelson's [Employee Benefits Practice Group](#).