

# PUBLICATION

## IRS Announces New Retirement Plan Limits

November 14, 2012

A variety of dollar levels or limits apply to contributions which may be made or benefits which may be earned under tax-qualified retirement plans. These are expressed as dollar amounts and are applied for a variety of purposes. Many of the dollar limits are subject to annual change by the IRS, while others are set by statute and are not subject to change. As happens late in each calendar year, the IRS has announced the limits for 2013. The more widely applicable changes are set out in the following table.

Limit	2012	2013	Comments
Employee pre-tax contributions to 401(k) or 403(b) plans	\$17,000	\$17,500	This is a calendar-year limit applicable to all plans in which the employee is a participant, other than a 457(b) plan. Catch up contributions by age 50+ individuals do not count against the limit. Lower limits apply to SIMPLE plans (see below). Pre-tax contributions to SIMPLE plans count against this limit.
Pre-tax catch-up contributions to a 401(k) or 403(b) plan	\$5,500	\$5,500	This is a calendar-year limit on pre-tax contributions by a participant who is at least age 50 by year-end. This is an aggregate limit for all plans other than a 457(b) plan.
Employee pre-tax contribution to a 457(b) plan	\$17,000	\$17,500	A 457(b) plan is a type of retirement plan maintained by certain tax-exempt employers. This calendar-year limit is separate from the limit for 401(k) and 403(b) plans, so an individual who participates in both a 401(k) or 403(b) plan

			and a 457(b) plan could contribute up to \$17,500 to each plan in 2013.
Employee pre-tax catch-up contributions to a 457(b) plan	\$5,500	\$5,500	This calendar-year limit is separate from the catch up contribution limit for 401(k) and 403(b) plans, so an individual who participates in both a 401(k) or 403(b) plan and a 457(b) plan could contribute up to \$5,500 to each plan in 2013.
Employee pre-tax contributions to a SIMPLE IRA or SIMPLE 401(k) plan	\$11,500	\$12,000	This is a calendar-year limit on total pre-tax contributions by each individual to all such plans. Any contribution to a regular 401(k) plan or 403(b) plan will count against this limit.
Limit on total annual additions (other than earnings) to a participant's account in a defined contribution plan	\$50,000	\$51,000	This limit includes employer contributions, employee contributions and forfeitures allocated to any individual's account in a year.
Defined benefit plan maximum annual benefit payable at normal retirement age	\$200,000	\$205,000	This is the limit on annual benefits which may be paid as a straight life annuity at normal retirement age.
Maximum compensation	\$250,000	\$255,000	This is the limit on a participant's pay which can be taken into account for purposes of making deferral contributions and allocating employer contributions under a defined contribution plan or accruing benefits in a defined benefit

			plan. The limit also applies to pay for nondiscrimination testing purposes.
Key employee pay	\$165,000	\$165,000	This is the annual pay amount above which an officer of the employer is treated as a "key employee" for top heavy plan purposes.
Highly compensated employee pay	\$115,000	\$115,000	This is the annual pay amount for the prior year above which an employee is treated as highly compensated for nondiscrimination purposes in the current year.
ESOP total benefit to extend five-year payout	\$1,015,000	\$1,035,000	An ESOP may extend the normal five-year maximum involuntary payout period if the total vested benefit exceeds this level.
Dollar amount to extend ESOP five-year payout by one year	\$200,000	\$205,000	The five-year ESOP payout period may be extended by one year for each multiple (or fraction), up to an additional five years.

Should you have any questions about these limits and how they may affect your business, contact any of the attorneys in the Firm's Tax Department.