



Winter 2016 Bulletin

IRS ANNOUNCES ADJUSTED PLAN LIMITS FOR 2017

The Internal Revenue Service has announced the 2017 limits that affect the operation of tax-qualified retirement plans, including 401(k) plans, and certain other types of employee benefit plans, including deferred compensation plans that may be subject to Internal Revenue Code §409A. The amount by which the limits are adjusted each year is based on a cost of living index. Not all limits increase every year.

The Social Security (OASDI) taxable wage base, which governs the amount of pay subject to Social Security tax withholding and affects plans that are "integrated" with Social Security, also is subject to adjustment annually. For 2017, the OASDI taxable wage base has been increased to \$127,200.

Adjusted Limits

Limits increased from 2016 in red

| Provision | 2017 Limit |
|---|-------------|
| Maximum 401(k) Contributions | \$18,000 |
| Maximum Compensation Limit | \$270,000 |
| Highly Compensated Employees <i>Earning (in previous year) more than</i> | \$120,000 |
| Key Employee Compensation Limit | \$175,000 |
| Annual Contribution Limit for Defined Contribution Plans | \$54,000 |
| Annual Benefit Limit for Defined Benefit Plans | \$215,000 |
| SIMPLE Plan Limit | \$12,500 |
| Age 50 and Older Catch-Up Contribution Limit <i>All plans other than SIMPLE Plans</i> | \$6,000 |
| <i>SIMPLE Plans</i> | \$3,000 |
| Annual Contribution Limit for Section 457 Deferred Compensation Plans (government and tax-exempt organizations) | \$18,000 |
| ESOP | |
| <i>Maximum account balance subject to five-year distribution period</i> | \$1,080,000 |
| <i>Each dollar amount in excess of account balance that adds one year to distribution period</i> | \$215,000 |
| Simplified Employee Pension Plans (SEPs) <i>Contributions must be made for employees earning at least</i> | \$600 |
| 409A Minimum Specified Employee (Officer) Compensation Requirement | \$175,000 |
| 409A Involuntary Separation Pay Exception | \$540,000 |

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