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2015 Cost of Living Adjustments for Retirement Plans

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The Internal Revenue Service recently announced its cost-of-living adjustments applicable to dollar limitations for retirement plans and Social Security generally effective for Tax Year 2015 (see [IR-2014-99](#)). Most notably, the limitation on annual salary deferrals into a 401(k) plan will increase from \$17,500 to \$18,000. The dollar limits are as follows:

| LIMIT | 2014 | 2015 |
|---|----------|----------|
| 401(k)/403(b) Elective Deferral Limit (IRC § 402(g)) The annual limit on an employee's elective deferrals to a 401(k) or 403(b) plan made through salary reduction. | \$17,500 | \$18,000 |
| Government/Tax Exempt Deferral Limit (IRC § 457(e)(15)) The annual limit on an employee's elective deferrals concerning Section 457 deferred compensation plans of state and local governments and tax-exempt organizations. | \$17,500 | \$18,000 |
| 401(k)/403(b)/457 Catch-up Limit (IRC § 414(v)(2)(B)(i)) In addition to the regular limit on elective deferrals described above, employees over the age of 50 generally can make an | \$5,500 | \$6,000 |

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| additional "catch-up" contribution not to exceed this limit. | 2014 | 2015 |
|--|--|--|
| <p>Defined Contribution Plan Limit (IRC § 415(c)) The limitation for annual contributions to a defined contribution plan (such as a 401(k) plan or profit sharing plan).</p> | \$52,000 | \$53,000 |
| <p>Defined Benefit Plan Limit (IRC § 415(b)) The limitation on the annual benefits from a defined benefit plan.</p> | \$260,000 (\$385,000 for certain gov't plans) | \$265,000 (\$395,000 for certain gov't plans) |
| <p>Highly Compensated Employee Threshold (IRC § 414(q)) The definition of an HCE includes a compensation threshold for the prior year. A retirement plan's discrimination testing is based on coverage and benefits for HCEs.</p> | \$115,000 (for 2015 HCE determination) | \$120,000 (for 2016 HCE determination) |
| <p>Key Employee Compensation Threshold (IRC § 416) The definition of a key employee includes a compensation threshold. Key employees must be determined for purposes of applying the top-heavy rules. Generally, a plan is top-heavy if the plan benefits of key employees exceed 60% of the aggregate plan benefits of all employees.</p> | \$170,000 | \$170,000 |
| <p>SEP Minimum Compensation Limit (IRC § 408(k)(2)(C)) The mandatory participation requirements for a</p> | \$550 | \$600 |

| simplified employee plan (SEP) includes this minimum | 2014 | 2015 |
|---|-------------|-------------|
| compensation threshold. | | |
| SIMPLE Employee Contribution (IRC § 408(p)(2)(E)) The limitation on deferrals to a SIMPLE retirement account. | \$12,000 | \$12,500 |
| SIMPLE Catch-up Limit (IRC § 414(v)(2)(B)(ii)) The maximum amount of catch-up contributions that individuals age 50 or over may make to a SIMPLE retirement account or SIMPLE 401(k) plan. | \$2,500 | \$3,000 |
| Social Security Taxable Wage Base | \$117,000 | \$118,500 |
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