IRS Announces Higher Contribution Limits For Tax-Deferred Pension, Retirement Plans

The IRS announced cost-of-living adjustments affecting dollar limits on tax-deferred contributions to retirement plans and eligibility for retirement-related benefits for the 2015 tax year.

Among the changes to the limits, the elective deferral for employees who participate in Section 401(k), 403(b), most 457 plans and the federal government's Thrift Savings Plan will increase to $18,000 from $17,500. The catch-up contribution limit for participants in those same plans who are 50 or older will increase to $6,000 from $5,500.

Adjustments to the dollar limits on benefits and contributions under qualified retirement plans are authorized under tax code Section 415, which requires that the limits be adjusted annually for cost-of-living increases.

The 2015 adjustments reflect a 1.6 percent increase in the consumer price index for urban wage earners and clerical workers (CPI-W) for the 12-month period ended in September. Deferred compensation plans also are affected by the adjustments, which are similar to those used to adjust Social Security benefit amounts.

The Social Security Administration announced Oct. 22 that Social Security benefits will increase by 1.7 percent in 2015 to reflect the cost-of-living increase.

New Limits

The list for the 2015 tax year includes increases to some limits, but others remain unchanged "because the increase in the Consumer Price Index did not meet the statutory thresholds for their adjustment," the news release said. The limits, both changed and unchanged, include:

- the annual contribution limit for a defined contribution plan under Section 415(c)(1)(A), from $52,000 to $53,000;
- the annual benefit limit for a defined benefit plan under Section 415(b)(1)(A) remains $210,000;
- the annual contribution limit for contributions to individual retirement accounts remains $5,500;
- the modified adjusted gross income (AGI) phase-out limit for married couples filing jointly and making contributions to a Roth individual retirement account, from a phase-out range of $181,000 to $191,000 in 2014 to a range of $183,000 and $193,000 for the 2015 tax year;
- the limits on AGI for contributions to Roth IRAs taken by married couples filing separately remains $0 to $10,000;
- the limits on AGI for contributions to ROTH IRAs taken by single filers, from a phase-out range of $114,000 to $129,000 in 2014 to a range of $116,000 to $131,000 in 2015;
- the annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii), from $260,000 to $265,000;
- the dollar limit under Section 430(c)(7)(D)(i)(II) for determining excess employee compensation with respect to single-employer defined benefit pension plans for which a special election under Section 430(c)(2)(D) is made, from $1,084,000 to $1,101,000 for 2015;
• the phase-out limits on AGI affecting deductions for contributions to traditional IRAs taken by individual taxpayers and heads of household who are covered by a workplace retirement plan, from $60,000 to $70,000 for 2014 to $61,000 to $71,000 for 2015;
• the phase-out limits on AGI affecting deductions for contributions to traditional IRAs taken by married couples filing jointly in which the spouse who makes the IRA contribution is covered by a workplace retirement plan from $96,000 to $116,000 for 2014 to $98,000 to $118,000 for 2015;
• the phase-out limits on AGI affecting deductions for contributions to traditional IRAs taken by married couples filing jointly in which the spouse is covered by a workplace retirement plan, from $181,000 to $191,000 for 2014 to $183,000 to $193,000 for 2015; and
• the annual compensation limit for defining "key employee" in a top-heavy plan under Section 416(i)(1)(A)(i), is unchanged at $170,000.

Other important numbers for 2015 are being released by the IRS and will be compiled in our “Easy Reference Tax Guide 2015”. Watch for it in an upcoming issue of *Insights & Ideas*. 