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Insights

IRS Announces Retirement Plan Limitations for 2021

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By: Lisa A. Durham and

On October 26, 2020, the Internal Revenue Service issued **Notice 2020-79** to announce the cost-of-living adjustments applicable to pension and retirement plan dollar limitations for the 2021 tax year – most of which will remain unchanged from 2020. Additionally, the Social Security Administration has determined that the 2021 contribution and benefit base will be $142,800, up from $137,700 in 2020. No change in a limitation means that the increase in the cost-of-living index was not sufficient to trigger the applicable statutory cost-of-living adjustment ("COLA").

The following table summarizes many of the retirement plan limitations for the 2020 and 2021 tax years:

Type of Limitation – Internal Revenue Code Section	Amount of Limitation for 2021	A
Compensation Limit – 401(a)(17), 404(I), 408(k)(3)(C) [SEP], and 408(k)(6)(D)(ii)	**$290,000**	
Elective Deferral Limit for 401(k)/403(b)/457(b) Plans, SARSEPs – 402(g)(1), 457(e)(15), 408(k)(6)(A)(iv)	$19,500	
Catch-up Contribution Limit for 401(k)/403(b)/Governmental 457(b) Plans, SARSEPs – 414(v)(2)(B)(i)	$6,500	
Highly Compensated Employee Compensation Threshold – 414(q)(1)(B)(i)	$130,000	
Defined Benefit Plan Annual Benefit Limitation – 415(b)(1)(A)	$230,000	
Defined Contribution Plan Annual Addition Limitation - 415(c)(1)(A)	**$58,000**	
Key Employee Compensation Threshold for Officers – 416(i)(1)(A)(i)	$185,000	
SEP Eligibility Compensation Threshold – 408(k)(2)(C)	**$650**	

SIMPLE 401(k) Plan and SIMPLE IRA Elective Contribution Limit – 401(k)(11)(B)(i)(I), 408(p)(2)(E)	**$13,500**
SIMPLE 401(k) Plan and SIMPLE IRA Catch-up Contribution Limit – 414(v)(2)(B)(ii)	$3,000
ESOP Maximum Account Balance Subject to 5-year Distribution Period – 409(o)(1)(C)	**$1,165,000**
ESOP Incremental Amount for Lengthening 5-year Distribution Period - 409(o)(1)(C)	$230,000
Compensation Limit for Grandfathered Participants in Certain Governmental Plans – 401(a)(17)	**$430,000**

For further information regarding the 2021 retirement plan limitations or to discuss any other retirement or welfare plan matters, please contact any member of our **Employee Benefits and Executive Compensation Practice Group**.