

IR 2014-99 (I.R.S. 2014)

WASHINGTON - The Internal Revenue Service today announced cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2015. Many of the pension plan limitations will change for 2015 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged because the increase in the index did not meet the statutory thresholds that trigger their adjustment. Highlights include the following:

- The elective deferral (contribution) limit for employees who participate in *401 (k)*, *403 (b)*, most *457* plans, and the federal government's Thrift Savings Plan is increased from \$17,500 to \$18,000.
- The catch-up contribution limit for employees aged 50 and over who participate in *401 (k)*, *403 (b)*, most *457* plans, and the federal government's Thrift Savings Plan is increased from \$5,500 to \$6,000.
- The limit on annual contributions to an Individual Retirement Arrangement (IRA) remains unchanged at \$5,500. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.
- The [*2] deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$61,000 and \$71,000, up from \$60,000 and \$70,000 in 2014. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$98,000 to \$118,000, up from \$96,000 to \$116,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$183,000 and \$193,000, up from \$181,000 and \$191,000. For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA is \$183,000 to \$193,000 for married couples filing jointly, up from \$181,000 to \$191,000 in 2014. For singles and heads of household, the income phase-out range is \$116,000 to \$131,000, up from \$114,000 to \$129,000. [*3] For a married individual filing a separate return, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

- The AGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is \$61,000 for married couples filing jointly, up from \$60,000 in 2014; \$45,750 for heads of household, up from \$45,000; and \$30,500 for married individuals filing separately and for singles, up from \$30,000.

Below are details on both the adjusted and unchanged limitations.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. *Section 415 (d)* requires that the Secretary of the Treasury annually adjust these limits for cost-of-living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments under *Section 415*. Under *Section 415 (d)*, the adjustments are to be made under adjustment procedures similar to those used to adjust benefit amounts under *Section 215 (i) (2) (A) of the Social Security Act*.

Effective January 1, 2015, the limitation on the annual benefit under a defined benefit [*4] plan under *Section 415 (b) (1) (A)* remains unchanged at \$210,000. For a participant who separated from service before January 1, 2015, the limitation for defined benefit plans under *Section 415 (b) (1) (B)* is computed by multiplying the participant's compensation limitation, as adjusted through 2014, by 1.0178.

The limitation for defined contribution plans under *Section 415 (c) (1) (A)* is increased in 2015 from \$52,000 to \$53,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of *Section 415 (b) (1) (A)*. After taking into account the applicable rounding rules, the amounts for 2015 are as follows:

The limitation under *Section 402 (g) (1)* on the exclusion for elective deferrals described in *Section 402 (g) (3)* is increased from \$17,500 to \$18,000.

The annual compensation limit under *Sections 401 (a) (17), 404 (l), 408 (k) (3) (C), and 408 (k) (6) (D) (ii)* is increased from \$260,000 to \$265,000.

The dollar limitation under *Section 416 (i) (1) (A) (i)* concerning the definition of key employee in a top-heavy plan remains unchanged at \$170,000.

The dollar amount under *Section 409 (o) (1) (C) (ii)* for determining [*5] the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$1,050,000 to \$1,070,000, while the dollar amount used to determine the lengthening of the 5-year distribution period remains unchanged at \$210,000.

The limitation used in the definition of highly compensated employee under *Section 414 (q) (1) (B)* is increased from \$115,000 to \$120,000.

The dollar limitation under *Section 414 (v) (2) (B) (i)* for catch-up contributions to an applicable employer plan other than a plan described in *Section 401 (k) (11)* or *Section 408 (p)* for individuals aged 50 or over is increased from \$5,500 to \$6,000. The dollar limitation under *Section 414 (v) (2) (B) (ii)* for catch-up contributions to an applicable employer plan described in *Section 401 (k) (11)* or *Section 408 (p)* for individuals aged 50 or over is increased from \$2,500 to \$3,000.

The annual compensation limitation under *Section 401 (a) (17)* for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under *Section 401 (a) (17)* to be taken into account, is [*6] increased from \$385,000 to \$395,000.

The compensation amount under *Section 408 (k) (2) (C)* regarding simplified employee pensions (SEPs) is increased from \$550 to \$600.

The limitation under *Section 408 (p) (2) (E)* regarding SIMPLE retirement accounts is increased from \$12,000 to \$12,500.

The limitation on deferrals under *Section 457 (e) (15)* concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$17,500 to \$18,000.

The compensation amount under *Section 1.61-21 (f) (5) (i) of the Income Tax Regulations* concerning the definition of "control employee" for fringe benefit valuation remains unchanged at \$105,000. The compensation amount under *Section 1.61-21 (f) (5) (iii)* is increased from \$210,000 to \$215,000.

The Code also provides that several retirement-related amounts are to be adjusted using the cost-of-living adjustment under *Section 1 (f) (3)*. After taking the applicable rounding rules into account, the amounts for 2015 are as follows:

The adjusted gross income limitation under *Section 25B (b) (1) (A)* for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$36,000 [*7] to \$36,500; the limitation under *Section 25B (b) (1) (B)* is increased from \$39,000 to \$39,500; and the limitation under *Sections 25B (b) (1) (C) and 25B (b) (1) (D)* is increased from \$60,000 to \$61,000.

The adjusted gross income limitation under *Section 25B (b) (1) (A)* for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$27,000 to \$27,375; the limitation under *Section 25B (b) (1) (B)* is increased from \$29,250 to \$29,625; and the limitation under *Sections 25B (b) (1) (C) and 25B (b) (1) (D)* is increased from \$45,000 to \$45,750.

The adjusted gross income limitation under *Section 25B (b) (1) (A)* for determining the retirement savings contribution credit for all other taxpayers is increased from \$18,000 to \$18,250; the limitation under *Section 25B (b) (1) (B)* is increased from \$19,500 to \$19,750; and the limitation under *Sections 25B (b) (1) (C) and 25B (b) (1) (D)* is increased from \$30,000 to \$30,500.

The deductible amount under *Section 219 (b) (5) (A)* for an individual making qualified retirement contributions remains unchanged at \$5,500.

The applicable dollar amount under *Section 219 (g) (3) (B) (i)* for determining the deductible [*8] amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow (er) is increased from \$96,000 to \$98,000. The applicable dollar amount under *Section 219 (g) (3) (B) (ii)* for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$60,000 to \$61,000. The applicable dollar amount under *Section 219 (g) (3) (B) (iii)* for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0. The applicable dollar amount under *Section 219 (g) (7) (A)* for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$181,000 to \$183,000.

The adjusted gross income limitation under *Section 408A (c) (3) (B) (ii) (I)* for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow (er) is increased from \$181,000 to \$183,000. The adjusted gross income limitation under *Section 408A (c) (3) (B) (ii) (II)* for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$114,000 to \$116,000. The

applicable dollar amount [*9] under *Section 408A (c) (3) (B) (ii) (III)* for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0.

The dollar amount under *Section 430 (c) (7) (D) (i) (II)* used to determine excess employee compensation with respect to a single-employer defined benefit pension plan for which the special election under *Section 430 (c) (2) (D)* has been made is increased from \$1,084,000 to \$1,101,000.