

Employee Benefits and Compensation

November 2016

IRS Releases Benefits and Contribution Limits for 2017

The Internal Revenue Service (IRS) recently issued its annual update regarding dollar limitations on contributions and benefits applicable to tax-qualified retirement and welfare plans for 2017.

RETIREMENT PLAN LIMITS

Limits	2016	2017
Defined Contribution Plan Annual Dollar Limit (the maximum dollar amount that may be contributed to a participant's account under IRC §415(c))	\$53,000	\$54,000
Defined Benefit Plan Annual Dollar Limit (the maximum dollar amount that may be payable to a participant under IRC §415(b))	\$210,000	\$215,000
401(k)/403(b) Elective Deferral Limit (the maximum annual amount of elective deferrals and designated Roth contributions (if permitted under the plan) to 401(k) and 403(b) plans under IRC §402(g)(1))	\$18,000	\$18,000
Governments/Tax-Exempts Deferral Limit (the maximum annual amount of elective deferrals to 457 plans under IRC §457(e)(15))	\$18,000	\$18,000
SEP Minimum Annual Compensation Limit (the least amount an employee must earn in compensation to be eligible to participate in a SEP under IRC §408(k)(2)(C))	\$600	\$600
401(k)/403(b)/457 "Catch-up" Limit (the additional amount that a participant age 50 or older may defer to 401(k), 403(b), or 457 plans under IRC §414(v)(2)(B)(i))	\$6,000	\$6,000
SIMPLE Employee Contribution Limit (the maximum annual amount of elective deferrals to SIMPLE plans under IRC §§401(k)(11) and 408(p)(2)(E))	\$12,500	\$12,500
SIMPLE "Catch-up" Limit	\$3,000	\$3,000

(the additional amount a participant age 50 or older may defer to SIMPLE plans under IRC §414(v)(2)(B)(ii))		
Highly Compensated Employee Compensation Limit (the compensation threshold triggering classification of an employee as "highly compensated" under IRC §414(q)(1)(B))	\$120,000	\$120,000
Annual Compensation Limit (an employee's maximum compensation that a plan may take into account for determining employer contributions and deductions under IRC §§401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii))	\$265,000	\$270,000
Top-Heavy Plan's Key Employee Compensation Limit (the definition of "key employee" compensation level triggering the application of top-heavy rules under IRC §416(i)(1)(A)(i))	\$170,000	\$175,000

WELFARE PLAN LIMITS

Limits	2016	2017
Health Savings Account Annual Dollar Limit (the maximum annual dollar amount that may be contributed to an HSA as part of a high deductible health plan under IRC §223(b)(2))	Individual: \$3,350 Family: \$6,750	Individual: \$3,400 Family: \$6,750
Health Savings Account Catch-Up Annual Dollar Limit (the maximum annual dollar amount that may be contributed to an HSA as "catch-up" contributions under IRC §223(b)(3))	\$1,000	\$1,000
Health Flexible Spending Account Annual Dollar Limit (the maximum annual dollar amount that may be contributed to a health FSA under IRC §125(i))	\$2,550	\$2,600

In addition to the above adjustments, the Social Security Administration has announced that the wage base for Social Security taxes for 2017 will be \$127,200. This is an increase from the 2016 wage base of \$118,500.

Of course, the Internal Revenue Code, Treasury regulations, and other relevant guidance requires consultation to determine how the IRS limits may apply to a particular benefit plan.

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