

2021 Cost of Living Adjustments Announced



On October 26, 2020, the Internal Revenue Service issued Notice 2020-79:
The 2021 dollar limits are as follows:

LIMIT	2021	2020
Defined Benefit Plans		
The lesser of the maximum dollar limitation for annual benefits under defined benefit plans under Internal Revenue Code (IRC) Section 415(b)(1)(A) or 100% of the participant's average compensation for his high 3 years.	\$230,000	\$230,000
Defined Contribution Plan 415 Dollar Limit		
The lesser of the dollar limitation for annual additions under defined contribution plans under IRC Section 415(c)(1)(A) or 100% of compensation.	\$58,000	\$57,000
401(k)/403(b)/Existing SARSEP Elective Deferral Limit		
All elective deferrals (including designated Roth contributions) in a tax year made by a participant to a 401(k), 403(b) tax deferred annuity, simplified employee pension, and SIMPLE retirement plan are aggregated under IRC Section 402(g).	\$19,500	\$19,500
457 Deferral Limits		
The lesser of the limitation on vested contributions to 457 plans under IRC Section 457(e)(15) or 100% of includible compensation.	\$19,500	\$19,500
403(B) Catch-up Limit		
The maximum available 402(g) elective deferral limit plus the special catch-up election for employees participating in a 403(b) tax deferred annuity who have had at least 15 years of service with an educational organization, hospital, home health agency, health and welfare service agency, church or convention or association of churches.	\$22,500	\$22,500
<i>Note: The additional 403(b) special catch-up of up to \$3,000 per year cannot exceed cumulatively \$15,000 over the lifetime of the 403(b) participant.</i>		

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LIMIT	2021	2020
457 Catch-up Limit		
The special catch-up election for employees participating in an eligible 457 deferred compensation who have elected the special catch-up available in the three years prior to the year of normal retirement age.	\$39,000	\$39,000
<i>Note: The participant in a governmental 457(b) plan may make catch-up contributions in a year equal to the greater of (a) the amount permitted under the age 50+ catch-up, or (b) the amount permitted under the 457 catch-up.</i>		
Age 50+ Catch-up Limits		
The special catch-up available under IRC Section 414(v) for individuals at least 50 years old in 2021 and make eligible pre-tax contributions to 401(k), 403(b), and governmental 457 plans.	\$6,500	\$6,500
The special catch-up is available for individuals who are at least 50 years old in 2021 and make eligible pre-tax contributions to a SIMPLE plan.	\$3,000	\$3,000
Definition of Key Employee		
The compensation threshold used for determining key employees under IRC Section 416(i)(1)(A)(i).	\$185,000	\$185,000
Definition of Highly Compensated Employees		
The compensation threshold used for determining highly compensated employees under IRC Section 414(q)(1)(B).	\$130,000	\$130,000
Compensation Limit		
The annual limit of compensation that may be taken into account for contribution purposes in accordance with IRC Section 401(a)(17).	\$290,000	\$285,000
The annual limit of compensation that may be taken into account for contribution purposes in accordance with IRC Section 401(a)(17) (certain grandfathered governmental plan participants).	\$430,000	\$425,000
Adjusted Gross Income Limit for Saver's Credit		
The highest adjusted gross income (based on federal income tax filing status) taken into account for eligibility for the Saver's Credit under IRC Section 25B.	\$66,000 (joint)	\$65,000 (joint)
	\$33,000 (single)	\$32,500 (single)
	\$49,500 (head of household)	\$48,750 (head of household)

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LIMIT	2021	2020
SIMPLE Retirement Accounts		
Compensation taken into account that an employee may elect to defer under a SIMPLE retirement plan described in IRC Section 408(p)(2).	\$13,500	\$13,500
Compensation for SEPs		
Compensation taken into account to determine eligibility for simplified employee pensions (SEPs).	\$650	\$600

On October 13, 2020, the Social Security Administration released its cost of living information for 2021:

	2021	2020
Taxable Wage Base		
Maximum amount of earnings subject to payroll tax.	\$142,800	\$137,700

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