



## New Benefit Limits for 2012

The Internal Revenue Service has announced the cost-of-living adjustments applicable to dollar limitations for retirement plans and other items for 2012. Unlike last year, several of the key limits have changed for 2012.

- The limitation on the exclusion for elective deferrals, which applies to 401(k) plans and 403(b) annuities, increases from \$16,500 to \$17,000. The limitation on deferrals under Code Section 457(b) plans of state and local governments and tax-exempt organizations also increases from \$16,500 to \$17,000.
- The limitation for catch-up contributions to an applicable employer plan for individuals aged 50 or over continues to be \$5,500 (and \$2,500 remains the limit for SIMPLE arrangements).
- The limitation used in the definition of "highly compensated employee" changes from \$110,000 to \$115,000.
- The annual addition limitation for defined contribution plans increases slightly from \$49,000 to \$50,000. For defined benefit plans, the limitation on the annual benefit amount increases from \$195,000 to \$200,000.
- The annual compensation limit on maximum compensation that may be considered changes from \$245,000 to \$250,000. The dollar limitation for a "key employee" in a top-heavy plan also changes from \$160,000 to \$165,000.
- For employee stock ownership plans, the dollar amount for determining the maximum account balance subject to a five-year distribution period increases from \$985,000 to \$1,015,000; also, the dollar amount used to determine the lengthening of the five-year distribution period changes from \$195,000 to \$200,000.
- The annual compensation limitation for eligible participants in certain governmental plans that allow cost-of-living adjustments to the compensation limitation under the plan to be taken into account increases from \$360,000 to \$375,000.
- The contribution limitation for SIMPLE arrangements continues to be \$11,500, and the compensation amount requirement for Simplified Employee Pensions (SEPs) does not change from the current \$550.

Also, the Social Security taxable wage base will increase for 2012 from \$106,800 to \$110,100.

If you have any questions about the new limits, please contact David Joffe or one of the other attorneys on the [Employee Benefits & Executive Compensation](#) Team at Bradley Arant Boult Cummings LLP.

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