

IRS Posts Retirement Plan COLAs

Holly Hance

The Internal Revenue Service (IRS) announced on October 20, 2011, the cost of living adjustments (COLAs) affecting dollar limitations for pension plans and other retirement-related items for Tax Year 2012. While some limitations are unchanged, for example the catch-up contribution limit for those aged 50 and over, many of the pension plan limitations will change for 2012 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment.

We have pulled out some of the adjustments below that most affect our clients and customers; the full list of COLAs is available on the IRS website at the following link:

<http://www.irs.gov/retirement/article/0,,id=96461,00.html>

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 \$16,500 to **\$17,000**.

The limitation for defined contribution plans under Section 415(c)(1)(A) is **increased** from \$49,000 to **\$50,000**.

The catch-up contribution limit for those aged 50 and over remains **unchanged at \$5,500**.

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 **increased** from \$360,000 to **\$375,000**.

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 \$16,500 to **\$17,000**.

The compensation amounts under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes is **increased** from \$95,000 to **\$100,000**.

The compensation amount under Section 1.61 21(f)(5)(iii) is **increased** from \$195,000 to **\$205,000**.

The 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). The AGI is **increased** from a 2011 range of \$56,000 to \$66,000 to a **2012 range of \$58,000 to \$68,000**.

For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the AGI is **increased** from a 2011 range of \$90,000-\$110,000 to a **2012 range of \$92,000-\$112,000**.

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 **2012** income is **\$173,000-\$183,000**. The 2011 income is \$169,000-\$179,000.