

IRS Increases Most Retirement Plan Limits for 2020

By: Alex Mattingly on November 6, 2019 on graydon.law

The IRS released its annual update for the cost-of-living adjustments for 2020. Consistent with the changes made [last year](#), elective deferral limits for 401(k), 403(b), and 457 plans increased \$500 from \$19,000 to \$19,500, the annual compensation limit increased \$5,000 from \$280,000 to \$285,000, the defined contribution plan limit received another \$1,000 bump, up to \$57,000, the defined benefit plan limit was again increased \$5,000 to \$230,000, the SIMPLE IRAs and 401(k) elective deferral limit increased by \$500 from \$13,000 to \$13,500, the definition of highly compensation employee increased \$5,000 from \$125,000 to \$130,000, and the definition of key employee in a top heavy plan changed from an officer with an annual compensation greater than \$180,000 to an officer with an annual compensation greater than \$185,000.

Additional changes were also made this year that increased the dollar limitation on catch-up contributions for individuals aged 50 or over from \$6,000 in 2019 to \$6,500 in 2020, and the increase to the Social Security taxable wage base was slightly greater, up \$4,800 in 2020 to \$137,700.

The new amounts, as well as the 2019 amounts, are listed in the chart below.

	<u>2019</u>	<u>2020</u>
ELECTIVE DEFERRAL ANNUAL LIMITS		
401(k), 403(b) and SEPs	\$19,000	\$19,500
457 Plans	\$19,000	\$19,500
SIMPLE IRAs and 401(k)s	\$13,000	\$13,500
CATCH-UP CONTRIBUTIONS		
401(k), 403(b) and SEPs	\$6,000	\$6,500
SIMPLE IRAs and 401(k)s	\$3,000	\$3,000
COMPENSATION LIMIT	\$280,000	\$285,000
DEFINED BENEFIT PLAN LIMIT	\$225,000	\$230,000
DEFINED CONTRIBUTION PLAN LIMIT	\$56,000	\$57,000
HIGHLY COMPENSATED EMPLOYEE	\$125,000	\$130,000

KEY EMPLOYEE

Officers	\$180,000	\$185,000
1% Owner	\$150,000	\$150,000
SOCIAL SECURITY TAXABLE WAGE BASE	\$132,900	\$137,700