



IRS Announces 2018 Limits

The Internal Revenue Service has announced the new cost-of-living adjustments that will be applicable to the dollar limits applied to tax-qualified retirement plans in 2018.

Individual Limitation

The limit on contributions made on behalf of an individual to a defined contribution plan will be increased from \$54,000 to \$55,000. Application of this limit will remain the lesser of 100% of pay or \$55,000.

401(k) Deferrals

The dollar limitation on employee deferrals in 401(k) plans will be increased from \$18,000 to \$18,500. 401(k) limits are based on the calendar year regardless of plan year end.

Catch-Up Contributions

Catch-up contribution for participants 50 years or older will not be increased from \$6,000. This is also a calendar year limit regardless of the plan year end.

Defined Benefit Plan Limits

Effective January 1, 2018, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) will be increased from \$215,000 to \$220,000.

Annual Compensation Limits

The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) will be increased from \$270,000 to \$275,000.

Key Employees

The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee for the officer component for top heavy determination will remain the same at \$175,000.

Highly Compensated Employees

The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) will not be increased from \$120,000.

The impact of this is that employees who earn \$120,000 or more in the plan year that begins in 2017 will be considered highly compensated for the plan year beginning in 2018.

Year End Reminder

All 401(k) deferrals for the plan year should be consistent with a written deferral agreement and deposited to the trust account no later than the last payroll date of the year. Remember, unless specifically requested by the participant, a Plan must include deferrals on bonuses paid and always transfer deferrals to the designated investment trust arrangement within 7 days of withholding.

Please call CrossPlans at 714.210.4164 if you have any questions.