Kilpatrick

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2020 Retirement Plan Limits Increase

Today, the IRS increased almost every major retirement plan limit as part of its annual cost of living adjustments. The increased limitations are set forth in the following chart.

	2019	2020
Maximum Elective Deferrals to §401(k), §403(b), and §457(b) Plans	$19,000	$19,500
Maximum Catch-up Elective Deferrals to Plans other than SIMPLE Plans (age 50 by the end of the year)	$6,000	$6,500
Section 415 Limits		
- Defined Contribution Plan Annual Addition Maximum	$56,000	$57,000
- Defined Benefit Plan Dollar Maximum	$225,000	$230,000
Annual Compensation Limit under §§401(a)(17), 404(l) and 408(k)	$280,000	$285,000
§414(q) Highly Compensated Employee definition	$125,000	$130,000
§416(i) Top-Heavy Compensation – Used to determine officers as key employees	$180,000	$185,000
§409(o) Maximum ESOP Account Balance Subject to 5-Year Distribution Period	$1,130,000	$1,150,000
ESOP Amount Used to Determine Extensions of the 5-Year Distribution Period	$225,000	$230,000
§408A Maximum Roth IRA Contribution (AGI Limit)		
Married Filing Joint Return or Qualifying Widower	$193,000	$196,000
All other Taxpayers (other than married filing separately)	$122,000	$124,000

Social Security Tax and Wage Base

On October 10, 2019, the Social Security Administration announced that the 2020 social security wage base will be $137,700, which is an increase of $4,800 from $132,900 for the 2019 calendar year.

Medicare Tax

The regular Medicare tax rate of 1.45% remains unchanged and applies to all income without a limitation for both the employee and employer portion. The Affordable Care Act additional Medicare tax of 0.9% remains unchanged. The additional Medicare tax applies to wages, other compensation, and self-employment income over certain dollar thresholds ($200,000 for single and $250,000 for married filing jointly). The additional Medicare tax only applies to the employee and not the employer. IRS regulations require an employer to withhold the additional Medicare tax on wages or compensation it pays to an employee in excess of $200,000 in a calendar year.