

IRS Issues 2018 Limits for Retirement Plans

On October 19, 2017, the IRS announced in [Notice 2017-64](#) cost of living adjustments to the qualified plan dollar limits for 2018. Some of these limits did not change from 2017 because the increase in the cost of living index did not meet the statutory thresholds that trigger an adjustment. Below is a summary of the limits that are generally relevant for most retirement plans.

Effective January 1, 2018:

- The elective deferral limit for 401(k), 403(b) and eligible 457 (b) plans is increased from \$18,000 to \$18,500.
- The catch-up contribution limit for those age 50 or older remains unchanged at \$6,000.
- The dollar limit on the annual benefit under a defined benefit plan is increased from \$215,000 to \$220,000.
- The dollar limit on annual allocations under a defined contribution plan is increased from \$54,000 to \$55,000.
- The annual compensation limit is increased from \$270,000 to \$275,000.
- The annual compensation limit for eligible participants in certain governmental plans that, as of July 1, 1993, allowed for cost of living adjustments to the annual compensation limit in effect at that time is increased from \$400,000 to \$405,000.
- The dollar threshold for highly compensated employee status used in performing various nondiscrimination tests remains unchanged at \$120,000.
- The dollar threshold for key employee status for officers used in performing the top heavy test remains unchanged at \$175,000.

Additionally, the Social Security Administration [announced](#) that, effective January 1, 2018, the Social Security wage base will increase from \$127,200 to \$128,700.



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