

2012 Qualified Retirement Plan Limitations

On October 20, 2011, the Internal Revenue Service published (IR-2011-103¹) cost of living adjustments affecting dollar limitations for pension plans and other retirement related items for Tax Year 2012. Generally speaking, many of the pension plan limitations increased for 2012 because the rise in the cost-of-living index met the statutory thresholds that trigger their adjustment.

The following is a comparison of the 2011 and 2012 limitations:

	Y2011	Y2012
Limit on Elective Deferrals	\$16,500	\$17,000
Highly Compensated Employee Annual Income	\$110,000	\$115,000
Defined Benefit Plan IRC §415 Limit on Benefits	\$195,000	\$200,000
Defined Contribution Plan IRC §415 Dollar Limit	\$49,000	\$50,000
Annual Compensation Limit	\$245,000	\$250,000
Catch-up Contributions Limit for Workers Aged 50 or Older	\$5,500	\$5,500
Key Employee Top Heavy Limit	\$160,000	\$165,000
IRAs for Individuals 49 and Below	\$5,000	5,000
IRAs for individuals 50 and Older	\$6,000	\$6,000
SIMPLE Retirement Accounts	\$11,500	\$11,500

¹ <http://www.irs.gov/newsroom/article/0,,id=248482,00.html>

2012 Social Security Adjustments

On October 19, 2011, the Social Security Administration announced² that there is an increase in the cost of living adjustment (“COLA”). The Social Security COLA is 3.6% for 2012. For 2012:

-) The Social Security Taxable wage base will be \$110,100.
-) The FICA tax (OASDI and Medicare) payable by both employees and employers remains 7.65% up to the taxable wage base.
-) The 1.45% Medicare tax continues to apply to all earnings.
-) The Social Security (OASDI) tax, assessed up to the taxable wage base, remains 6.2% for employers and 4.2% for employees through February 2012. (The workers’ percentage of the OASDI portion of Social Security taxes for workers was reduced in 2011 and has been extended for 2 months.)

² <http://www.ssa.gov/pressoffice/pr/2012cola-pr.html/>

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