

2012 PLAN LIMITS

ANNUAL DOLLAR LIMITS – Based on IRS cost of living adjustments, the Internal Revenue Code (IRC) limits for 2012 are as follows:

- **401(k), 403(b) and 457(b) plans:** The maximum elective deferral limit under IRC §402(g) for 401(k), 403(b) and 457(b) plans is \$17,000. In a 457(b) plan, the limit also includes any employer contributions.
- **401(k), 403(b) and governmental 457(b) catch-up contributions:** The catch up contribution limit is \$5,500 for 2012. A participant who is age 50 or older during 2012 will have a total contribution limit of \$22,500.
- **Compensation limits:** The maximum annual compensation amount that can be used to determine benefits or calculate contributions for a plan is \$250,000.
- **Annual individual contribution amounts:** The maximum annual addition limit under defined contribution plans is the lesser of 100% of pay or \$50,000 (\$55,500 for 401(k) or 403(b) participants age 50 or older in 2012). This limit includes the sum of all contributions and forfeitures allocated to a participant's account during the year.
- **Annual defined benefit plan limit:** The maximum annual payout under defined benefit plans is \$200,000 at age 62 or older. This payout is the annual benefit payable to a participant receiving monthly benefits from the plan.
- **Highly Compensated Employees:** The compensation limit for determining Highly Compensated Employees is \$115,000.
- **Key Employees:** The compensation limit for determining if an officer is a Key Employee is \$165,000.
- **Taxable Wage Base:** The Social Security taxable wage base is \$110,100.

AT A GLANCE

| Limits | 2012 | 2011 |
|---|-----------|-----------|
| 401(k)/403(b)/457 Deferrals | \$17,000 | \$16,500 |
| 401(k)/403(b)/457 Catch Up Contributions | \$5,500 | \$5,500 |
| Maximum Annual Addition (Under Age 50) | \$50,000 | \$49,000 |
| Maximum Annual Addition (Age 50 or Older) | \$55,500 | \$54,500 |
| Highly Compensated Employee Income Limit | \$115,000 | \$110,000 |
| Social Security Wage Base | \$110,100 | \$106,800 |
| Annual Compensation Limit | \$250,000 | \$245,000 |



IMPORTANT LIMITS AND DEADLINES FOR QUALIFIED PLANS

DEDUCTION LIMIT

- **Deduction limit** - 25% of covered compensation, plus elective deferrals under a 401(k) plan.

CONTRIBUTION DEPOSIT DUE DATES

- **Employee deferrals** - Under Department of Labor (DOL) deadlines, employee deferrals must be deposited to the trust *as soon as administratively feasible*, but no later than the 15th business day of the month following the month they are withheld from the employees' pay. For small plans (with under 100 participants), the DOL has proposed a safe harbor rule. Under the safe harbor, contributions deposited by the 7th working day following the payroll date are considered to have been deposited timely. The DOL is soliciting comments about providing a safe harbor for large plans. Without the safe harbor, large plans must meet the "*as soon as administratively feasible*" standard. The DOL has been very clear in defining their policy and interprets "*as soon as administratively feasible*" to be as soon as the contributions can be reasonably segregated from the employer's general assets. This means that the deposit of employee deferrals and loan payments withheld should coincide with the employer's remittance of FICA and FIT withholding to the appropriate agencies, i.e., within two to three days after the pay date to coincide with the federal tax withholding deposit requirements.
- **Employer contributions** (pension, profit sharing and matching) – Unless otherwise dictated by the plan document, employer contributions must be deposited to the trust by the due date of the employer's tax return, including extensions. For pension plans subject to minimum funding requirements, the contribution must generally be paid within 8 ½ months after the close of the plan year. Safe harbor matching contributions to a 401(k) plan that are calculated on a payroll period basis must be deposited at least quarterly.

401(k) SAFE HARBOR PLAN NOTICES

- Annual written notice of the safe harbor provisions must be provided to eligible employees within a *reasonable time*, 30 – 90 days, before the first day of the plan year. For calendar year plans, the 2012 notice must be posted by December 1, 2011.

ANNUAL 401(k)/401(m) DISCRIMINATION TESTING

- The required annual nondiscrimination testing for salary deferrals and matching contributions in 401(k) plans without special automatic enrollment provisions must be completed within 2 ½ months after the end of the plan year to avoid the 10% excise tax assessed by IRS on excess contributions. Excess contributions distributed are taxable to the recipient in the year distributed. Excess contributions are contributions returned to highly compensated employees to correct a failed discrimination test.
- Excess elective deferrals, deferrals in excess of the 402(g) dollar limit, must be distributed by April 15 following the close of the participant's taxable year to avoid double taxation. If the excess elective deferrals are distributed by April 15th, the excess is taxable to the recipient in the year of deferral. If the excess is distributed after April 15th, the excess is taxable to the recipient in *both* the year of deferral and the year of distribution.

5500 FILINGS

- The 5500 filing is due 7 months after the end of the plan year, or 9 ½ months if an extension, Form 5558, is filed.

