

Cooley

November 1, 2013

Adjusted Limits

The Internal Revenue Service has announced the 2014 limits that affect the operation of tax-qualified retirement plans, including 401(k) plans, and certain other types of employee benefit plans, including deferred compensation plans that may be subject to Internal Revenue Code §409A. The amount by which the limits are adjusted each year is based on a cost of living index. Not all limits increase every year. Please see the accompanying table for the limits that are effective January 1, 2014, as well as a reference for comparison purposes to the 2013 limits, where different.

Social Security

The Social Security (OASDI) taxable wage base, which governs the amount of pay subject to Social Security tax withholding and affects plans that are "integrated" with Social Security, also is subject to adjustment annually. For 2014, the OASDI taxable wage base has been increased to \$117,000.

ADJUSTED LIMITS		
Provision	2014 Limit	2013 Limit (where different)
Maximum 401(k) Contributions	\$17,500	
Maximum Compensation Limit	\$260,000	\$255,000
Highly Compensated Employees <i>Earning (in previous year) more than</i>	\$115,000	
Key Employee Compensation Limit	\$170,000	\$165,000
Annual Contribution Limit for Defined Contribution Plans	\$52,000	\$51,000
Annual Benefit Limit for Defined Benefit Plans	\$210,000	\$205,000

ADJUSTED LIMITS		
Provision	2014 Limit	2013 Limit (where different)
SIMPLE Plan Limit	\$12,000	
Age 50 and Older Catch-Up Contribution Limit <i>All plans other than SIMPLE Plans</i> <i>SIMPLE Plans</i>	\$5,500 \$2,500	
Annual Contribution Limit for Section 457 Deferred Compensation Plans (government and tax-exempt organizations)	\$17,500	
ESOP: <i>Maximum account balance subject to five-year distribution period</i> <i>Each dollar amount of in excess of account balance that adds one year to distribution period</i>	\$1,050,000 \$210,000	\$1,035,000 \$205,000
Simplified Employee Pension Plans (SEPs) <i>Contributions must be made for employees earning at least</i>	\$550	
409A Minimum Specified Employee (Officer) Compensation Requirement	\$170,000	\$165,000
409A Involuntary Separation Pay Exception	\$520,000	\$510,000

If you have questions about this *Alert*, please contact a member of your Cooley team or one of the attorneys above from the Compensation & Benefits Group.

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