

MEMO# 32862

October 27, 2020

IRS Announces Retirement Plan Limitations for 2021

[32862]

October 27, 2020 TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension

Tax RE: IRS Announces Retirement Plan Limitations for 2021

The Internal Revenue Service has released annual cost of living and other adjustments applicable to dollar limitations for pension and retirement plans. The news release is available [here](#) and Notice 2020-79, which also contains the updated limits, is available [here](#). There is no change to the elective deferral limit for participants in 401(k), 403(b) and most 457 plans, which remains \$19,500, and the catch-up contribution limit for those plans remains \$6,500. Effective for tax year 2021, the dollar limitations include, but are not limited to, the following:

Limit 2020 2021 Defined benefit plan limit, IRC § 415(b)(1)(A) \$230,000 \$230,000
Defined contribution plan limit, IRC § 415(c)(1)(A) \$57,000 \$58,000 **Annual compensation limit**, IRC §§ 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii) \$285,000 \$290,000 **Limit used for definition of highly compensated employee**, IRC § 414(q)(1) \$130,000 \$130,000 **Elective deferral limit**, IRC § 402(g) \$19,500 \$19,500 **Deferral limit for state and local governments and tax-exempt organizations**, IRC § 457(e)(15) \$19,500 \$19,500 **SEP compensation amount**, IRC § 408(k)(2)(C) \$600 \$650 **SIMPLE contribution limit**, IRC § 408(p)(2)(E) \$13,500 \$13,500 **Catch-up contributions to qualified plans**, 403(b) plans and 457 plans, IRC § 414(v)(2)(B)(i) \$6,500 \$6,500 **Catch-up contributions to SIMPLE plans**, IRC § 414(v)(2)(B)(ii) \$3,000 \$3,000 **IRA contribution limit**, IRC § 219(b)(5)(A) \$6,000 \$6,000 **Catch-up contributions to IRAs**, IRC § 219(b)(5)(B) (this amount is not adjusted for cost of living) \$1,000 \$1,000 **QLAC premium limit**, Treas. Reg. § 1.401(a)(9)-6, A-17(b)(2)(i) \$135,000 \$135,000

The Notice describes all plan limits for 2021 and provides updated income limits for determining (1) eligibility for the saver's credit (IRC § 25B(b)), (2) the deductible amount of a traditional IRA contribution (IRC § 219(g)), and (3) the maximum Roth IRA contribution (IRC § 408A(c)(3)(B)(ii)).

Elena Barone Chism

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.