

United States: 2016 Benefit Plan Limits And Thresholds: Few Changes From 2015

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The Internal Revenue Service (IRS) has announced various 2016 benefit plan limits and thresholds. In most cases, there are no changes from 2015. According to the IRS, in general, the retirement plan limitations will not change for 2016 because the increase in the cost-of-living index did not meet the statutory thresholds that trigger their adjustment. However, some other limitations will change because the increase in the index did meet the statutory thresholds.

Benefit Plans

The following chart shows the major 2015 and 2016 benefit plan limits and thresholds. Increased amounts for 2016 are underscored.

Limit or Threshold	2015	2016
Maximum salary-reduction contribution for an individual to a 401(k) plan or a 403(b) plan or to most 457 plans	\$18,000	\$18,000
Maximum catch-up contribution for an individual age 50 and over to a 401(k) plan or 403(b) plan or to most 457 plans	6,000	6,000
Maximum annual benefit under a qualified defined benefit plan	210,000	210,000
Maximum "annual addition" under a qualified defined contribution plan	53,000	53,000
Maximum compensation for an individual that can be taken into account under a qualified plan	265,000	265,000
Maximum compensation for an individual that can be taken into account under certain governmental plans	395,000	395,000
Minimum annual compensation for an individual to be treated as "highly compensated employee" for the following year	120,000	120,000
Minimum annual compensation for an officer to be treated as a "key employee" as to a qualified plan	170,000	170,000

Dollar amount for determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period	1,070,000	1,070,000
Dollar amount used to determine the lengthening of the five-year distribution period under an employee stock ownership plan	210,000	210,000
Maximum salary-reduction contribution for an individual to a SIMPLE retirement plan	12,500	12,500
Maximum catch-up contribution for an individual age 50 and over to a SIMPLE retirement plan	3,000	3,000
Limit on voluntary employee salary reduction contributions to a health flexible spending arrangement under a cafeteria plan	2,550	2,550
Monthly limit on aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle and for any transit pass	130	130
Monthly limit on aggregate fringe benefit exclusion amount for qualified parking	250	<u>255</u>
Maximum annual contribution for an individual with self-only coverage under high-deductible health plan (HDHP)	3,350	3,350
Maximum annual contribution for an individual with family coverage under an HDHP	6,650	<u>6,750</u>
Minimum annual deductible under an HDHP with self-only coverage	1,300	1,300
Minimum annual deductible under an HDHP with family coverage	2,600	2,600
Maximum out-of-pocket expense limit under an HDHP with self-only coverage	6,450	<u>6,550</u>
Maximum out-of-pocket expense limit under an HDHP with family coverage	12,900	<u>13,100</u>

IRAs

The following limits apply to IRAs in 2016:

- The limit on annual contributions to an IRA remains unchanged at \$5,500. The additional catch-up contribution limit for individuals age 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.
- The deduction for contributions to a traditional IRA is phased out for those who have modified adjusted gross incomes (AGI) within a certain range. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's 2016 income is between \$184,000 and \$194,000, up from \$183,000 and \$193,000 in 2015. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range remains unchanged at \$98,000 to \$118,000. For single individuals and heads of household who are covered by a workplace retirement plan, the income phase-out range remains unchanged at \$61,000 to \$71,000. For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.
- The AGI phase-out range for taxpayers making contributions to a Roth IRA in 2016 is \$184,000 to \$194,000 for married couples filing jointly, up from \$183,000 to \$193,000 in 2015. For single individuals and heads of household, the 2016 income phase-out range is \$117,000 to \$132,000, up from \$116,000 to \$131,000 in 2015.

Wage Base for Social Security Taxes

In addition to the above adjustments, the Social Security Administration has announced that the wage base for Social Security taxes for 2016 will be \$118,500, the same as in 2015.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.