

2020 Cost-of-Living Adjustments: COLA Plan Limits



On November 6, 2019, the IRS followed its established fourth quarter practice and announced the contribution and benefit limits for qualified plans and related retirement arrangements effective in 2020. This announcement was documented as IRS Notice 2019-59. Specifically, the new 2020 benchmarks provide opportunities for both retirement plan sponsors and their employees/participants.

The adjusted limits for 2020 are as follows:

2020 Cost-of-Living Adjustments for Qualified Plans (& Related Arrangements)

	2020	2019
Employee Deferral Limit 401(k)/403(b)/457 Plans	\$19,500	\$19,000
Catch-Up (age 50+) Deferral 401(k)/403(b)/457 Plans	\$6,500	\$6,000
Defined Contribution Maximum Annual Additions	\$57,000	\$56,000
Defined Benefit Maximum Annual Benefit	\$230,000	\$225,000
Maximum Compensation – Qualified Retirement Plans	\$285,000	\$280,000
Definition of Highly Compensated Employees	\$130,000	\$125,000
FICA Taxable Wage Base (TWB)	\$137,700	\$132,900
SEP Minimum Compensation	\$600	\$600
SIMPLE Retirement Accounts Deferral Limit	\$13,500	\$13,000
Catch-Up Deferral Limit for SIMPLE Accounts	\$3,000	\$3,000
Key Employee/Officer Compensation Threshold	\$185,000	\$180,000
Traditional IRA Contribution Limit	\$6,000	\$6,000
Qualified Longevity Annuity Contract (QLAC)	\$135,000	\$130,000
ESOP Amount to Determine Lengthening of the 5-year Distribution Period ¹	\$230,000	\$225,000
ESOP Maximum Balance subject to the 5-year Distribution Rule ²	\$1,150,000	\$1,130,000

¹409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$1,130,000 to \$1,150,000.

²The dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$225,000 to \$230,000.

Additional helpful information

- The term annual additions generally means the sum for any year of employer contributions, employee contributions, and forfeitures.
- For plans that include salary deferral features, individuals who are 50 and older by the end of the calendar year may make catch-up contributions in addition to the annual addition limit, if catch-up contributions are permitted under the plan.

Notes for off-calendar plan years

- Deferral limits are on a calendar year basis, regardless of plan year.
- Use the taxable wage base (TWB) in effect at the beginning of the plan year.
- Use the Annual Compensation limit in effect at the beginning of the plan year.
- Use the 415 limit in effect at the end of the plan year.

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