

IRS Announces 2021 Retirement Plan And Other Benefit Limitations

The Internal Revenue Service announced the dollar limitations for retirement plans and other benefits, beginning January 1, 2021. Some of the limits are listed below.

LIMITATION	2020 AMOUNT	2021 AMOUNT
Maximum Annual Compensation taken into account for determining benefits or contributions to a qualified plan	\$285,000	\$290,000
Basic Elective Deferral Limitation for 401(k), 403(b) and 457(b) Plans ¹	\$19,500	\$19,500
Catch-up Contribution Limit for Persons Age 50 and older in 401(k), 403(b) or SARSEP Plans	\$6,500	\$6,500
Limitation on Annual Additions to a Defined Contribution Plan ²	\$57,000	\$58,000
Limitation on Annual Benefits from a Defined Benefit Plan ³	\$230,000	\$230,000
Highly Compensated Employee Compensation Threshold ⁴	\$130,000	\$130,000
SEP Compensation Threshold	\$600	\$650
Social Security Taxable Wage Base for Social Security Tax (6.2%)	\$137,700	\$142,800
For Medicare Tax (1.45% / 2.35%)	No Limit	No Limit
Health Savings Accounts:		
• Individual Contribution Limit	\$3,550	\$3,600
• Family Contribution Limit	\$7,100	\$7,200
• Catch-Up Contributions	\$1,000	\$1,000
Health Flexible Spending Accounts ⁵	\$2,700	\$2,750

If you have any questions about this information memo, please contact any [attorney](#) in our [Employee Benefits and Executive Compensation practice](#) or the attorney at the firm with whom you are regularly in contact.

¹ This limit and the catch-up limit also apply to Roth (after-tax) contributions under 401(k) and 403(b) plans that permit such contributions.

² In no event may annual additions exceed 100% of a participant's compensation.

³ In no event may a participant's annual benefit exceed 100% of the participant's average compensation for the participant's high three years.

⁴ Generally, an employee is considered "highly compensated" if the employee:

(a) was a five-percent owner of the employer at any time during the current or preceding year; or

(b) received compensation from the employer in the preceding year of more than the applicable dollar limit for that year.

⁵ This limit applies only to voluntary employee salary reduction (pre-tax) contributions.

