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IRS Announces New Employee Benefits Limits for 2012

The Internal Revenue Service has recently announced cost-of-living adjustments applicable to dollar limitations for retirement plans (and other items) for 2012. Many of the retirement plan limitations will change for 2012 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. In many cases, this is the first time in three years the limitations have changed.

I. Retirement Plans

Some of the new annual limits for 2012 (and the current limits for 2011) are as follows:

	<u>2012</u>	2011
Elective Deferral Limit (for Internal Revenue Code (“Code”) Section 401(k), 403(b), 457(b)(2), 457(c), and SARSEP plans) – excluding catch-up contributions	\$ 17,000	\$ 16,500
Elective Deferral Limit for SIMPLE plans	\$ 11,500	\$ 11,500
Catch-up Contribution Limit for Code Section 401(k), 403(b), 457(b) and SARSEP plans	\$ 5,500	\$ 5,500
Catch-up Contribution Limit for SIMPLE plans	\$ 2,500	\$ 2,500
Annual limitation for defined contribution plans under Code Section 415	\$ 50,000	\$ 49,000
Annual limitation for defined contribution plans under Code Section 415	\$ 200,000	\$ 195,000
Maximum compensation limit	\$ 250,000	\$ 245,000
Minimum dollar threshold to be considered highly compensated employee (“HCE”) based on compensation	\$ 115,000¹	\$ 110,000
Minimum dollar threshold for an officer of the employer to be considered a key employee for top heavy plans.	\$ 165,000	\$ 160,000
Maximum Social Security taxable earnings (OASDI only)	\$ 110,100	\$ 106,800
Maximum Medicare taxable earnings (HI only)	No Limit	No Limit
Maximum Medicare taxable earnings (HI only)	\$ 550	\$ 550

¹ The \$115,000 limit is used to determine who is a HCE in 2013; the \$110,000 limit for 2011 is used to determine who is a HCE for 2012.

II. Health Savings Accounts (HSAs)

The new annual HSA (and High Deductible Health Plan (HDHP)) limits for 2012 (and the current limits for 2011) are as follows:

	<u>2012</u>	2011
HSA Contribution Limits:		
Self-only	\$ 3,100	\$ 3,050
Family	\$ 6,250	\$ 6,150
Catch-up (for individuals age 55 or older)	\$ 1,000	\$ 1,000
HDHP Minimum Deductible		
Self-only	\$ 1,200	\$ 1,200
Family	\$ 2,400	\$ 2,400
HDHP Out-of-Pocket Expense Limit (Deductibles, co-payments and other amounts, but not premiums):		
Self-only	\$ 6,050	\$ 5,950
Family	\$ 12,100	\$ 11,900

III. Qualified Transportation Fringe Benefits

The new monthly limits for 2012 (and the current limits for 2011) are:

	<u>2012</u>	2011
Commuter highway vehicle/transit pass	\$ 125	\$ 230 ²
Qualified Parking	\$ 240	\$ 230

² The commuter highway vehicle transit pass limit is higher in 2011 due to a temporary statutory increase. The temporary statutory increase no longer applies for 2012.

Plan documents (particularly retirement plan documents) often anticipate cost of living adjustments and do not have to be amended for these adjustments. Nevertheless, administrators of plans should review their documents to reconfirm the documents automatically incorporate the adjustments. If the documents do not contemplate the adjustments, plan documents will need to be amended to remain tax-compliant. Plan administrators should also communicate with their plan service providers (including payroll providers) to ensure the new limits will be used in plan operations beginning in 2012.

If you have questions regarding the new IRS limits or other employee benefits matters, please contact your regular Butzel Long attorney, a member of the Butzel Long Employee Benefits Practice Group, or the author of this e-mail news alert.

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