

### Special Alert

**SPECIALIZED TALENT & EXPERTISE TO SOLVE THE MOST COMPLEX AND SOPHISTICATED CLIENT CHALLENGES.**

With more than 25 attorneys practicing solely in employee benefits law, Trucker Huss is one of the largest employee benefits specialty law firms in the country. Our in-depth knowledge and breadth of experience on all issues confronting employee benefit plans, and their sponsors, fiduciaries and service providers, translate into real-world, practical solutions for our clients.

**A DIVERSE CLIENT BASE.** We represent some of the country's largest companies and union sponsored and Taft-Hartley trust funds. We also represent mid-sized and smaller employers, benefits consultants and other service providers, including law firms, accountants and insurance brokers.

**PERSONAL ATTENTION AND SERVICE, AND A COLLABORATIVE APPROACH.**

Since its founding in 1980, Trucker Huss has built its reputation on providing accurate, responsive and personal service. The Firm has grown in part through referrals from our many satisfied clients, including other law firms with which we often partner on a strategic basis to solve client challenges.

**NATIONALLY-RECOGNIZED.**

Our attorneys serve as officers and governing board members to the country's premier employee benefits industry associations, and routinely write for their publications and speak at their conferences.

**TRUCKER ♦ HUSS**

A PROFESSIONAL CORPORATION  
ERISA AND EMPLOYEE  
BENEFITS ATTORNEYS

One Embarcadero Center, 12th Floor  
San Francisco, California 94111-3617

15821 Ventura Blvd, Suite 510  
Los Angeles, California 91436-2964

Tel: (415) 788-3111  
Fax: (415) 421-2017  
Email: [info@truckerhuss.com](mailto:info@truckerhuss.com)

[www.truckerhuss.com](http://www.truckerhuss.com)

## 2020 Pension Plan Limitation Highlights

SHANNON OLIVER

NOVEMBER 2019

On November 6, 2019, the Internal Revenue Service issued Notice 2019-59, containing the cost-of-living adjustments related to retirement plan limitations under the Internal Revenue Code (the "Code"). These changes will take effect on January 1, 2020. Below are some of the highlights.



### Limitations That Have Increased

- The limitation on the annual benefit under a defined benefit is increased from \$225,000 to \$230,000 (Code section 415(b)(1)(A)).
- The annual contribution limitation for defined contribution plans is increased from \$56,000 to \$57,000 (Code section 415(c)(1)(A)).
- The annual compensation limit is increased from \$280,000 to \$285,000 (Code sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii)).
- The dollar limitation regarding the definition of "key employee" in a top-heavy plan increased from \$180,000 to \$185,000 (Code section 416(i)(1)(A)(i)).
- The dollar amount 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, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased to \$230,000 up from \$225,000 in 2019 (Code section 409(o)(1)(C)(ii)).
- The limitation used in the definition of "highly compensated employee"

- is increased from \$125,000 to \$130,000 (Code section 414(q)(1)(B)).
- The adjusted gross income limitation under Code section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$28,875 to \$29,250; the limitation under Section 25B(b)(1)(B) is increased from \$31,125 to \$31,875; and the limitation under Code sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$48,000 to \$48,750.
  - The adjusted gross income limitation under Code section 25B(b)(1)(A) for determining the retirement savings contributions credit for all other taxpayers is increased from \$19,250 to \$19,500; the limitation under Code section 25B(b)(1)(B) is increased from \$20,750 to \$21,250; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$32,000 to \$32,500.
  - The limitation under Code section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from \$13,000 to \$13,500.
  - The limitation on deferrals under Code section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$19,000 to \$19,500.
  - The compensation amount under Code section 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of “control employee” for fringe benefit valuation purposes increased from \$110,000 to \$115,000; the compensation amount under Code section 1.61-21(f)(5)(iii) increased from \$225,000 to \$230,000.
  - The \$1,000,000,000 threshold the Code utilizes to determine whether a multiemployer plan is a systematically important plan is adjusted using the cost-of-living adjustment. After taking the applicable rounding rule into account, the threshold used to determine whether a multiemployer plan is systemically important is increased from \$1,097,000,000 to \$1,135,000,000. (Code sections 432(e)(9)(H)(v)(III)(aa) and 432(e)(9)(H)(III)(bb)).
  - The compensation amount under Code section 1.61-21(f)(5)(iii) is increased from \$225,000 to \$230,000.
  - The dollar limitation on premiums paid with respect to a qualifying longevity annuity contract under Code section 1.401(a)(9)-6, A-17(b)(2)(i) of the Income Tax Regulations increased to \$135,000 from \$130,000 in 2019.
  - The maximum amount of catch-up contributions that individuals aged 50 or over may make to 401(k) plans, 403(b) plans, SEPs, and governmental 457(b) plans increased to \$6,500 (Code section 414(v)(2)(B)(i)).
  - The compensation amount under the Income Tax Regulations concerning the definition of “control employee” for fringe benefit valuation purposes increased to \$115,000 (Code section 1.61-21(f)(5)(i)).
- ### Limitations That Remain Unchanged
- The deductible amount for an individual making qualified retirement contributions remains \$6,000. (Code section 219(b)(5)(A)).
  - The limitation under Code section 664(g)(7) concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan remains at \$50,000.
  - The compensation amount under Code section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains at \$600.
  - The maximum amount of catch-up contributions that individuals aged 50 or over may make to SIMPLE 401(k) plans or SIMPLE retirement accounts remains at \$3,000 (Code section 414(v)(2)(B)(ii)).
  - The limitation concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan remains at \$50,000 (Code section 664(g)(7)).
- See chart on next page...*

	2020	2019	2018	2017
<b>401(k)/403(b)/457 Elective Deferral Limit</b>	\$ 19,500	\$ 19,000	\$ 18,500	\$ 18,000
<b>Defined Contribution Plan Annual Limit</b>	\$ 57,000	\$ 56,000	\$ 55,000	\$ 54,000
<b>Defined Benefit Plan Annual Limit</b>	\$ 230,000	\$ 225,000	\$ 220,000	\$ 215,000
<b>Annual Compensation Limit</b>	\$ 285,000	\$ 280,000	\$ 275,000	\$ 270,000
<b>Catch-Up Contribution Limit</b>	\$ 6,500	\$ 6,000	\$ 6,000	\$ 6,000
<b>Highly Compensated Employee Compensation Threshold</b>	\$ 130,000	\$ 125,000	\$ 120,000	\$ 120,000
<b>Key Employee Compensation Threshold</b>	\$ 185,000	\$ 180,000	\$ 175,000	\$ 175,000

The Trucker ♦ Huss *Benefits Report* is published monthly to provide our clients and friends with information on recent legal developments and other current issues in employee benefits. Back issues of *Benefits Report* are posted on the Trucker ♦ Huss web site ([www.truckerhuss.com](http://www.truckerhuss.com)).

Editor: Shannon Oliver, [soliver@truckerhuss.com](mailto:soliver@truckerhuss.com)

In response to new IRS rules of practice, we inform you that any federal tax information contained in this writing cannot be used for the purpose of avoiding tax-related penalties or promoting, marketing or recommending to another party any tax-related matters in this *Benefits Report*.

**Adrine Adjemian**  
aadjemian@truckerhuss.com  
415-277-8012

**Jahiz Noel Agard**  
jagard@truckerhuss.com  
415-277-8022

**Bryan J. Card**  
bcard@truckerhuss.com  
415-277-8080

**Briana Desch**  
bdesch@truckerhuss.com  
415-277-8062

**Lindsay R. Docto**  
ldocto@truckerhuss.com  
415-277-8030

**Joseph C. Faucher**  
jfaucher@truckerhuss.com  
415-277-8046

**J. Marc Fosse**  
mfosse@truckerhuss.com  
415-277-8045

**Angel Garrett**  
agarrett@truckerhuss.com  
415-277-8066

**Robert R. Gower**  
rgower@truckerhuss.com  
415-277-8002

**Craig P. Hoffman**  
choffman@truckerhuss.com  
415-788-3111

**R. Bradford Huss**  
bhuss@truckerhuss.com  
415-277-8007

**Clarissa A. Kang**  
ckang@truckerhuss.com  
415-277-8014

**Sarah T. Kanter**  
skanter@truckerhuss.com  
415-277-8053

**T. Katuri Kaye**  
kkaye@truckerhuss.com  
415-788-3111

**Freeman L. Levinrad**  
flevinrad@truckerhuss.com  
415-277-8068

**Elizabeth L. Loh**  
eloh@truckerhuss.com  
415-277-8056

**Gisue Mehdi**  
gmehdi@truckerhuss.com  
415-277-8073

**Brian D. Murray**  
bmurray@truckerhuss.com  
213-537-1016

**Kevin E. Nolt**  
knolt@truckerhuss.com  
415-277-8017

**Yatindra Pandya**  
ypandya@truckerhuss.com  
415-277-8063

**Barbara P. Pletcher**  
bpletcher@truckerhuss.com  
415-277-8040

**Mary Powell**  
mpowell@truckerhuss.com  
415-277-8006

**Dylan D. Rudolph**  
drudolph@truckerhuss.com  
415-277-8028

**Tiffany N. Santos**  
tsantos@truckerhuss.com  
415-277-8039

**Robert F. Schwartz**  
rschwartz@truckerhuss.com  
415-277-8008

**Charles A. Storke**  
cstorke@truckerhuss.com  
415-277-8018

**Jennifer Truong**  
jtruong@truckerhuss.com  
415-277-8072

**Nicholas J. White**  
nwhite@truckerhuss.com  
415-277-8016

## PARALEGALS

**Shannon Oliver**  
soliver@truckerhuss.com  
415-277-8067

**Susan Quintanar**  
squintanar@truckerhuss.com  
415-277-8069