

Special Alert

SPECIALIZED TALENT & EXPERTISE TO SOLVE THE MOST COMPLEX OR STRAIGHTFORWARD CLIENT CHALLENGES.

With more than 30 legal professionals 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

135 Main Street, 9th Floor
San Francisco, California 94105-1815

15760 Ventura Blvd, Suite 910
Los Angeles, California 91436-3019

329 NE Couch St., Suite 200
Portland, Oregon 97232-1332

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

2024 Pension Plan Limitations

SUSAN QUINTANAR

NOVEMBER 2023

On November 1, 2023, the Internal Revenue Service issued Notice 2023-75, 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, 2024. Below are some of the key highlights.



Adjusted Limitations

- The limitation on the annual benefit under a defined benefit plan is increased from \$265,000 to \$275,000. (Code section 415(b)(1)(A)).
- For a participant who separated from service before January 1, 2024, the participant's limitation under a defined benefit plan under section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2023, by 1.0351.
- The annual contribution limitation for defined contribution plans is increased from \$66,000 to \$69,000. (Code section 415(c)(1)(A)).
- The annual compensation limit is increased from \$330,000 to \$345,000. (Code sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii)).
- The limitation on the exclusion for elective deferrals is increased from \$22,500 to \$23,000. (Code sections 402(g)(1) and 402(g)(3)).
- The annual compensation limitation for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation to be taken into account, is increased from \$490,000 to \$505,000. (Code section 401(a)(17)).
- The compensation amount regarding simplified employee pensions (SEPs) remains \$750. (Code section 408(k)(2)(C)).
- The limitation regarding SIMPLE retirement accounts is increased from \$15,500 to \$16,000. (Code section 408(p)(2)(E)).

- The dollar limitation regarding the definition of “key employee” in a top-heavy plan increased from \$215,000 to \$220,000. (Code section 416(i)(1)(A)(ii)).
- 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 \$1,330,000 to \$1,380,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased to \$275,000, up from \$265,000. (Code section 409(o)(1)(C)(iii)).
- The limitation used in the definition of “highly compensated employee” is increased from \$150,000 to \$155,000. (Code section 414(q)(1)(B)).
- The maximum amount of catch-up contributions individuals aged 50 or over may make to 401(k) plans, 403(b) plans, SEPs, and governmental 457(b) plans remains \$7,500. (Code section 414(v)(2)(B)(ii)).
- 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 \$3,500. (Code section 414(v)(2)(B)(iii)).
- The adjusted gross income limitation under Code section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$43,500 to \$46,000; the limitation under Section 25B(b)(1)(B) is increased from \$47,500 to \$50,000; the limitation under Code sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$73,000 to \$76,500.
- 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 \$32,625 to \$34,500; the limitation under Section 25B(b)(1)(B) is increased from \$35,625 to \$37,500; the limitation under Code sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$54,750 to \$57,375.
- 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 \$21,750 to \$23,000; the limitation under Code section 25B(b)(1)(B) is increased from \$23,750 to \$25,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$36,500 to \$38,250.
- The deductible amount for an individual making qualified retirement contributions is increased from \$6,500 to \$7,000. (Code section 219(b)(5)(A)).
- The applicable dollar amount for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from \$116,000 to \$123,000. The applicable dollar amount for all other taxpayers who are active participants (other than married taxpayers filing separate returns) is increased from \$73,000 to \$77,000. The applicable dollar amount for a taxpayer who is not an active participant but whose spouse is an active participant increased from \$218,000 to \$230,000. (Code Sections 219(g)(3)(B)(i), 219(g)(3)(B)(ii), and 219(g)(7)(A). If an individual or the individual’s spouse is an active participant, the applicable dollar amount for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0. (Code section 219(g)(3)(B)(iii)).
- Under section 219(g)(2)(A), the deduction for taxpayers making contributions to a traditional IRA is phased out for single individuals and heads of household who are active participants in a qualified plan (or another retirement plan specified in section 219(g)(5)) and have adjusted gross incomes (as defined in section 219(g)(3)(A)) between \$77,000 and \$87,000, increased from between \$73,000 and \$83,000. For married couples filing jointly, if the spouse who makes the IRA contribution is an active participant, the income phase-out range is between \$123,000 and \$143,000, increased from between \$116,000 and \$136,000. For an IRA contributor who is not an active participant and is married to someone who is an active participant, the deduction is phased out if the couple’s income is between \$230,000 and \$240,000, increased from between \$218,000 and \$228,000. **Note:** For a married individual filing a separate return who is an active participant, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.
- The adjusted gross income limitation under section 408A(c)(3)(B)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$218,000 to \$230,000. The adjusted gross income limitation under section 408A(c)(3)(B)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$138,000 to \$146,000. **Note:** The applicable dollar amount for a married individual filing a separate return is not subject to an annual cost-of-living adjustment and remains \$0. (Code section 408A(c)(3)(B)(ii)(III)).
- Accordingly, under section 408A(c)(3)(A), the adjusted gross income phase-out range for taxpayers making contributions to a Roth IRA is between \$230,000 and \$240,000 for married couples filing jointly, increased from between \$218,000 and \$228,000. For singles and heads of

household, the income phase-out range is between \$146,000 and \$161,000, increased from between \$138,000 and \$153,000. **Note:** For a married individual filing a separate return, the phase-out range is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.

- The limitation on the aggregate amount of length of service awards accruing with respect to any year of service for any bona fide volunteer under section 457(e)(11)(B)(ii) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$7,000 to \$7,500.
- 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 \$22,500 to \$23,000.
- The limitation concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan remains \$60,000. (Code section 664(g)(7)).
- 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 is increased from \$130,000 to \$135,000; the compensation amount under Code section 1.61-21(f)(5)(iii) is increased from \$265,000 to \$275,000.
- 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 which was increased to \$200,000 pursuant to section 202 of the SECURE 2.0 Act of 2022 with respect to contracts purchased or received in an exchange on or after December 29, 2022, remains \$200,000.
- The dollar threshold the Code used 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 is increased from \$1,256,000,000 to \$1,369,000,000. (Code sections 432(e)(9)(H)(v)(III)(aa) and 432(e)(9)(H)(v)(III)(bb)).

The following is a quick reference guide to key limitations for 2022-2024.

	2024	2023	2022
401(k)/403(b)/457 Elective Deferral Limit	\$23,000	\$22,500	\$20,500
Defined Contribution Plan Annual Contribution Limit	\$69,000	\$66,000	\$61,000
Defined Benefit Plan Annual Benefit Limit	\$275,000	\$265,000	\$245,000
Annual Compensation Limit	\$345,000	\$330,000	\$305,000
Catch-Up Contribution Limit	\$7,500	\$7,500	\$6,500
Highly Compensated Employee Compensation Threshold	\$155,000	\$150,000	\$135,000
Key Employee Compensation Threshold	\$220,000	\$215,000	\$200,000

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).

Editor: Nicholas J. White, nwhite@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.

Jahiz Noel Agard

jagard@truckerhuss.com
415-277-8022

Sarah Bowen

sbowen@truckerhuss.com
415-277-8059

Mia Butzbaugh

mbutzbaugh@truckerhuss.com
415-277-8073

Adrine A. Cargill

acargill@truckerhuss.com
415-277-8012

Nicolas D. Deguines

ndeguines@truckerhuss.com
415-277-8009

Joseph C. Faucher

jfaucher@truckerhuss.com
213-537-1017

Scott E. Galbreath

sgalbreath@truckerhuss.com
415-277-8080

Angel Garrett

agarrett@truckerhuss.com
415-277-8066

Robert R. Gower

rgower@truckerhuss.com
415-277-8002

Alaina C. Harwood

aharwood@truckerhuss.com
(415) 277-8047

R. Bradford Huss

bhuss@truckerhuss.com
415-277-8007

Zachary T. Isenhour

zisenhour@truckerhuss.com
415-277-8005

Ryan Kadevari

rkadevari@truckerhuss.com
415-277-8011

Clarissa A. Kang

ckang@truckerhuss.com
415-277-8014

Sarah Kanter

skanter@truckerhuss.com
415-277-8053

T. Katuri Kaye

kkaye@truckerhuss.com
415-277-8064

Elizabeth L. Loh

eloh@truckerhuss.com
415-277-8056

Brian D. Murray

bmurray@truckerhuss.com
213-537-1019

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 E. Powell

mpowell@truckerhuss.com
415-277-8006

Catherine L. Reagan

creagan@truckerhuss.com
415-277-8037

Dylan D. Rudolph

drudolph@truckerhuss.com
415-277-8028

Robert F. Schwartz

rschwartz@truckerhuss.com
415-277-8008

Charles A. Storque

cstorque@truckerhuss.com
415-277-8018

Joelle Tavan

jtavan@truckerhuss.com
415-277-8030

Jennifer Truong

jtruong@truckerhuss.com
415-277-8072

Nicholas J. White

nwhite@truckerhuss.com
213-537-1018

PARALEGALS**Jenna McHenry**

jmchenry@truckerhuss.com
415-277-8020

Susan Quintanar

squintanar@truckerhuss.com
415-277-8069

TRUCKER ♦ HUSS

A PROFESSIONAL CORPORATION

ERISA AND EMPLOYEE
BENEFITS ATTORNEYS

135 Main Street, 9th Floor
San Francisco, California 94105-1815

15760 Ventura Blvd, Suite 910
Los Angeles, California 91436-3019

329 NE Couch St., Suite 200
Portland, Oregon 97232-1332

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