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One Minute Memo®

IRS Announces 2012 Inflation-Adjusted Benefit Limits

The Internal Revenue Service has announced cost-of-living adjustments applicable to dollar limitations for retirement plans and other benefits for 2012. This marks the first notable adjustment to the limits since 2009.

	2011 Limits	2012 Limits
401(k)/403(b) Contributions ¹	\$16,500	\$17,000
457(b) Limit	\$16,500	\$17,000
Catch-up Contributions	\$5,500	\$5,500
Compensation Limit ²	\$245,000	\$250,000
Highly Compensated Employees ²	\$110,000	\$115,000
Key Employee Officer Compensation ²	\$160,000	\$165,000
Maximum Annual Benefit Defined Benefit Plan ²	\$195,000	\$200,000
Maximum Annual Contribution Defined Contribution Plan ²	\$49,000	\$50,000
ESOP Limits		
Dollar limit for determining lengthening of 5-year period	\$195,000	\$200,000
Dollar amount for determining max amount subject to 5-year distribution	\$985,000	\$1,015,000
Maximum SIMPLE contribution	\$11,500	\$11,500
FICA Wage Base ³	\$106,800	\$110,100
Qualified Transportation Fringe Benefits – Code § 132		
Monthly limit for transportation in a commuter highway vehicle or transit pass ⁴	\$230	\$125
Monthly limit for qualified parking	\$230	\$240
Monthly limit for bicycle commuters	\$20	\$20
Adoption Assistance Programs⁵		
Maximum excludable from employee gross income	\$13,360	N/A
Exclusion phased out with modified gross income (starting at–ending at)	\$185,210-225,210	N/A

	2011 Limits	2012 Limits
Health Savings Accounts		
High deductible health plan (HDHP) – minimum annual deductible		
Individual coverage	\$1,200	\$1,200
Family coverage	\$2,400	\$2,400
HDHP – maximum out-of-pocket limit		
Individual coverage	\$5,950	\$6,050
Family coverage	\$11,900	\$12,100
HSA monthly contribution – 1/12 of the statutory limit		
Self-only coverage limit	\$3,050	\$3,100
Family coverage limit	\$6,150	\$6,250
Catch-up contributions (age 55 or older)	\$1,000	\$1,000

 Calendar year limitation for FICA withholding purposes and for plan years beginning in the calendar year for retirement plan purposes.

4. The American Recovery and Reinvestment Act temporarily raised the public transit limit to \$230 through 2011. Absent congressional action, the limit will revert to \$125 in 2012.

 The Adoption Assistance Credit, originally set to expire in 2009, was extended through 2011 by the Patient Protection and Affordable Care Act. Absent congressional action, the credit will no longer be available for the 2012 tax year.

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