



IN THE BUSINESS OF YOUR SUCCESSSM

Tax Researcher

Volume XXIX Issue 12 December 2012



QUALIFIED PENSION PLAN CONTRIBUTION LIMITS INCREASE FOR 2013

In 2001, legislation was signed into law that increased the amounts which may be contributed to 401(k) and other employer-sponsored tax-deferred retirement plans. The law made extensive changes to the deferral limits for employer-sponsored tax-deferred retirement plans, superseding many cost-of-living adjustments already provided by the Internal Revenue Code. Below are the contribution limits for 2013; all amounts have changed from those for 2012 and are in bold print.

Plan	2012	2013
401(k)/401(k) Roth Cash or Deferred Arrangement	\$17,000	\$17,500
401(k)/401(k) Roth Age 50 "Catch-up" Substitute Limit	\$22,500	\$23,000
401(k) SIMPLE	\$11,500	\$12,000
401(k) SIMPLE Age 50 "Catch-up" Substitute Limit	\$14,000	\$14,500
403(b)/403(b) Roth Salary Reduction Agreement—Annuity Contract	\$17,000	\$17,500
403(b)/403(b) Roth Age 50 "Catch-up" Substitute Limit	\$22,500	\$23,000
403(b)/403(b) Roth Age 50 + 15-Year "Catch-up" Substitute Limit	\$25,500	\$26,000
408(k) Salary Reduction (SEP)	\$17,000	\$17,500
408(k) (SEP) Age 50 "Catch-up" Substitute Limit	\$22,500	\$23,000
408(p) Salary Reduction Contributions—SIMPLE IRA	\$11,500	\$12,000
408(p) Age 50 "Catch-up" Substitute Limit	\$14,000	\$14,500
457/457 Roth Deferred Compensation Plan State/Local Government	\$17,000	\$17,500
457/457 Roth Age 50 "Catch-up" Substitute Limit	\$22,500	\$23,000
457/457 Roth Last 3 Years Prior to Retirement "Catch-up" Substitute Limit	\$34,000	\$35,000
501(c) Tax Exempt Organizations	\$17,000	\$17,500

Note that the statutory provisions for Section 401(k), Section 403(b), Section 408(k), and Section 457 plans, allow a substitute limit (this amount will remain at \$5,500 in 2013) for "catch-up" contributions by certain individuals. An employee is eligible to make these "catch-up" contributions if the employee is otherwise eligible to make elective deferrals under the plan, and is age 50 or older. A participant who is projected to attain age 50 before the end of a calendar year is deemed to be age 50 as of January 1 of that year. However, this is an optional provision that first must be elected by the pension plan sponsor (employer).

For Section 403(b) annuity plans, there is also a special "catch-up" election for employees who have completed at least 15 years of service with a "qualified organization." Such employees are allowed to contribute an additional \$3,000 annually. Therefore, employees age 50 or older, who have completed at least 15 years of service, may contribute up to \$26,000 in 2013.

In the case of a Section 457 plan, the age 50 "catch-up" rule does not apply during the participant's last three years before retirement, if the plan has a previous "catch-up" provision. In the final three years of employment, under the previous "catch-up" provision, the regularly applicable limit is doubled. Therefore, for such employees in their final three years, the "catch-up" limit is \$35,000 (\$17,500 x 2) for 2013.

For 2013, employers are required to report participants' elective qualified pension deferrals on Form W-2 in Box 12 using codes D through H, S, AA, BB, and EE. The total amount reported for each code must include any elective deferral "catch-up" contributions.

Generally, at the time of contribution, employee deferrals under the limits stated above are exempt from Federal income tax withholding, but Social Security and Medicare taxes normally apply. The contribution amounts also are includable in wages for FUTA tax purposes. However, employer-made contributions to a qualified plan, whether matching or not, are exempt from employment taxes.



Tax Researcher

ARIZONA, FLORIDA, MONTANA, OHIO, VERMONT AND WASHINGTON ANNOUNCE MINIMUM WAGE RATE INCREASES

Arizona will be increasing their minimum wage effective 1/1/2013. It will increase from \$7.65 to \$7.80 per hour. For tipped employees, the minimum cash wage will increase from \$4.65 per hour to \$4.80, with the maximum tip credit remaining at \$3.00 per hour.

Florida will be increasing their minimum wage from \$7.67 to \$7.79 effective 1/1/2013. For tipped employees, the minimum cash wage will increase from \$4.65 to \$4.77, with the maximum tip credit remaining at \$3.02.

Montana will be increasing their minimum wage effective 1/1/2013 from \$7.65 to \$7.80 per hour. The state does not allow employers to take a tip credit on wages paid to tipped employees.

Montana employers whose annual gross sales are \$110,000 or less may pay \$4.00 per hour. However, if an individual employee is producing or moving goods between states or otherwise covered by the Fair Labor Standards Act, that employee must be paid the greater of either the federal minimum wage or Montana's minimum wage.

Ohio is also increasing their minimum wage effective 1/1/2013 from \$7.70 to \$7.85 per hour. For tipped employees, the maximum tip credit will be increasing from \$3.85 to \$3.92 per hour, therefore also increasing the minimum cash wage from \$3.85 to \$3.93 per hour.

Ohio employers with annual gross receipts under \$288,000 per year are covered by the Federal Fair Labor Standards Act (FLSA) and are subject to the prevailing Federal Minimum Wage Rate of \$7.25 per hour.

Vermont is also increasing their minimum wage effective 1/1/2013. It will increase from \$8.46 to \$8.60 per hour. The tipped employee minimum cash wage will also increase from \$4.10 to \$4.17 per hour, with the tip credit increasing from \$4.36 to \$4.43 per hour.

Washington will be increasing their minimum wage from \$9.04 to \$9.19 per hour effective 1/1/2013. The state does not recognize a tip credit when paying tipped employees.

Tax Researcher

Tax Researcher is distributed with the understanding that the publisher is not rendering legal, accounting or other professional services. If legal advice or other assistance is required, an attorney or accountant should be consulted. This newsletter is published monthly by the Statutory Research Shared Services Department, a division of Corporate - Information Technology. Address comments to: ADP, Inc., Statutory Research Department, One ADP Boulevard (M/S 364), Roseland, New Jersey 07068.

Tax Researcher



12-MONTH INDEX

(January 2012 through December 2012)

<u>TOPIC</u>	<u>MONTHLY ISSUE</u>
Additional Medicare Tax on High-Income Earners (SEE Medicare, Additional Tax on High-Income Earners IRS Guidance)	
Auto Mileage Rates (IRS) effective January 1, 2012	Jan-12
“Catch-Up” Contributions (SEE Pension Plan Contribution Limits)	
Deferred Compensation Plans (SEE Pension Plan Contribution Limits)	
Employer Identification Numbers	Aug-12
Health FSA Salary Reduction Contribution Limit Effec. 2013	Oct-12
Household Employees	Mar-12
Idaho Changes 2012 Withholding	June-12
Identity Theft, IRS’ Top Ten Tips	July-12
IRS Citations	May-12
Maryland Makes Withholding Change	July-12
Medicare, Additional Tax on High-Income Earners IRS Guidance	Sept-12
Medicare Taxable Wages	Nov-12
Michigan Reduces Income Tax Rate Effec. 10/1/12	Oct-12
Minimum Wage Rate Changes (including maximum tip credit, if applicable)	
Arizona—effective 1/1/13.....	Dec-12
Colorado—effective 1/1/12	Jan-12
Florida—effective 1/1/13.....	Dec-12
Montana—effective 1/1/13.....	Dec-12
Ohio—effective 1/1/13.....	Dec-12
Oregon—effective 1/1/13	Nov-12
Rhode Island—effective 1/1/13	Oct-12
Vermont—effective 1/1/13.....	Dec-12
Washington—effective 1/1/13.....	Dec-12
Minimum Wage, When Federal and State Do Not Agree	Nov-12
New York State & Yonkers Withholding Tax Rate Changes Effective 1/1/12	Feb-12
Pension Plan Contribution Limits 2012 and 2013	Dec-12
Retirement Planning, Five Key Issues In	June-12
Social Security, Employee Tax Rate Decrease Eff. 1/1/12 to 2/29/12	Feb-12
Social Security, Employee Tax Rate Decrease Extended Through 12/31/12	Mar-12
Social Security Taxable Wages	Nov-12
State Disability Insurance	Feb-12
State Unemployment Insurance	
Florida Unemployment Taxable Wage Base Decrease 1/1/12.....	May-12
Taxable wage limits table for 2011 and 2012.....	Jan-12
SUI (SEE State Unemployment Insurance)	
Tip Credits (SEE Maximum Wage Rate Changes)	