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HEALTH CARE REFORM

Eye on Washington

BENEFIT PLAN LIMITS FOR 2012

The Internal Revenue Service (IRS) announces benefit plan limits each year. Below is a chart showing the limits for 2011 and 2012. Please note, 2012 is the first year since 2009 that the IRS has increased retirement plan limits.

As a result, we suggest plan sponsors may want to consider updating plan documents to include the new cost-of-living adjustments, at least in cases where such adjustments are not automatically incorporated by cross-reference within those documents.

RETIREMENT PLAN LIMITS	2012	2011
Annual compensation limit	\$250,000	\$245,000
401(k), 403(b) and 457(b) before-tax contributions	\$17,000	\$16,500
Catch-up contributions (if age 50 or older)	\$5,500	\$5,500
Highly compensated employee threshold	\$115,000	\$110,000
Key employee compensation threshold	\$165,000	\$160,000
Defined benefit plan annual benefit	\$200,000	\$195,000
Defined contribution plan annual contribution limit	\$50,000	\$49,000
ESOP limit for determining the lengthening of the general five-year distribution period	\$200,000	\$195,000
ESOP limit for determining the maximum account balance subject to the general five-year distribution period	\$1,015,000	\$985,000



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HEALTH AND WELFARE PLAN LIMITS	2012	2011
Highly compensated employee threshold	\$115,000	\$110,000
Key employee compensation threshold	\$165,000	\$160,000
FSA Plan Limits		
<ul style="list-style-type: none"> Health Care FSA Dependent Care FSA 	No Limit \$5,000	No Limit \$5,000
Long-Term Care Premiums That Qualify As Medical Expenses		
<ul style="list-style-type: none"> Age 40 or less 41 to 50 51 to 60 61 to 70 More than 70 	\$350 \$660 \$1,310 \$3,500 \$4,370	\$340 \$640 \$1,270 \$3,390 \$4,240
Qualified Transportation Fringe Benefits		
<ul style="list-style-type: none"> Monthly limit for qualified parking Monthly limit for transportation in a commuter highway vehicle or transit pass 	\$240 \$125	\$230 \$230
Adoption Assistance Programs		
<ul style="list-style-type: none"> Excludible amount 	\$12,650	\$13,360
Phase-out modified adjusted gross income thresholds		
<ul style="list-style-type: none"> Phase-out begins Phase-out complete 	\$189,710 \$229,710	\$185,210 \$225,210
High-deductible Health Plan (HDHP) and HSA		
HDHP—Maximum annual out-of-pocket limit (excluding premiums)		
<ul style="list-style-type: none"> Self-only coverage Family coverage 	\$6,050 \$12,100	\$5,950 \$11,900
HDHP—Minimum annual deductible		
<ul style="list-style-type: none"> Self-only coverage Family coverage 	\$1,200 \$2,400	\$1,200 \$2,400
HSA—Annual contribution limit		
HDHP—Maximum annual out-of-pocket limit (excluding premiums)		
<ul style="list-style-type: none"> Self-only coverage Family coverage 	\$3,100 \$6,250	\$3,050 \$6,150
Catch-up contributions (age 55 or older)	\$1,000	\$1,000



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Dollar limits are generally applied on a calendar year basis; however, certain dollar limits are applied on a plan year, tax year or limitation year basis – clients should consult with legal counsel if they have questions over how to apply these limits.

NOTE: Health Care FSAs continue to have no statutory limits in 2012 and contribution restrictions are generally a matter of plan design. However, these plans must pass non-discrimination requirements. The plans must prescribe either a maximum dollar amount or maximum percentage of compensation for 2012. Effective January 1, 2013, the maximum salary reduction contribution limit per employee is \$2,500. The statutory limit applies to the entire tax year (January – December) regardless of the plan year. The statutory limit for a Health Care FSA may be adjusted for inflation each year beginning in 2014.

Sources:

IR-2011-103, Oct. 20, 2011, <http://www.irs.gov/newsroom/article/0,,id=248482,00.html>, and Revenue Procedure 2011-32, <http://www.irs.gov/pub/irs-drop/rp-11-32.pdf>, and Revenue Procedure 2011-52, <http://www.irs.gov/pub/irs-drop/rp-11-52.pdf>

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