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## 2015 COST-OF-LIVING ADJUSTMENTS APPLICABLE TO EMPLOYEE BENEFIT PLANS

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The Internal Revenue Service recently announced the cost-of-living adjustments for limitations applicable to employee benefit plans qualified under the Internal Revenue Code (the “Code”).

**Elective Deferral Contributions:** For the 2015 calendar year, the annual limitation under Code section 402(g)(1) on the amount of elective deferrals to Code section 401(k) plans, Code section 403(b) plans, and Code section 457(b) plans will increase from \$17,500 to \$18,000. Also, for the 2015 calendar year, the annual limitation under Code section 414(v)(2)(B)(i) will increase from \$5,500 to \$6,000 for additional elective deferrals that participants age 50 or over will be allowed to make as “catch-up” contributions to 401(k) plans (other than “SIMPLE” 401(k) plans for which the amount will increase from \$2,500 to \$3,000), 403(b) plans, and 457(b) governmental plans.

**Annual Compensation Limit:** For plan years beginning in 2015, the annual compensation that a plan may take into account under Code sections 401(a)(17) and 404(l) will increase from \$260,000 to \$265,000.

**Highly Compensated Employees:** For plan years beginning in 2015, the compensation threshold used in the definition of highly compensated employee under Code section 414(q)(1)(B) will increase from \$115,000 to \$120,000. Because the compensation used to determine highly compensated employee status for a particular plan year is compensation for the prior plan year, (i) for determining highly compensated employee status in the plan year beginning in 2015, the relevant compensation will be compensation for the plan year beginning in 2014, and the threshold for that year was \$115,000, and (ii) for determining highly compensated employee status in the plan year beginning in 2014, the relevant compensation will be compensation for the plan year beginning in 2013, and the threshold for that year was also \$115,000.

**Defined Contribution and Defined Benefit Plan Limits:** For limitation years ending in 2015, the annual addition limitation for defined contribution plans under Code section 415(c)(1)(A) will increase from \$52,000 to \$53,000, and the annual benefit limitation for defined benefit plans under Code section 415(b)(1)(A) will remain at \$210,000.

**“Key Employee” for Top-Heavy Plan Rules:** For plan years beginning in 2015, the dollar limitation used to determine which officers will be “key employees” under Code section 416(i)(1)(A)(i) for purposes of the top-heavy plan rules will remain at \$170,000.

**FICA Wage Base:** For the 2015 calendar year, the FICA taxable wage base will increase from \$117,000 to \$118,500.

**Annual Health FSA Limit:** For taxable years beginning in 2015, the dollar limitation under Code section 125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements will increase from \$2,500 to \$2,550.

For more information about this Client Alert or related topics, please contact the Thompson & Knight attorney with whom you regularly work or any of the following employee benefits attorneys for assistance.

**CONTACTS:**

**Sharon M. Fountain**  
214.969.1518  
[Sharon.Fountain@tklaw.com](mailto:Sharon.Fountain@tklaw.com)

**J. Mike Holt**  
214.969.1500  
[Mike.Holt@tklaw.com](mailto:Mike.Holt@tklaw.com)

**Jessica S. Morrison**  
817.347.1704  
[Jessica.Morrison@tklaw.com](mailto:Jessica.Morrison@tklaw.com)

**Russell G. Gully**  
214.969.1511  
[Russell.Gully@tklaw.com](mailto:Russell.Gully@tklaw.com)

**Jason Patrick Loden**  
214.969.1556  
[Jason.Loden@tklaw.com](mailto:Jason.Loden@tklaw.com)

**Neely P. Munnerlyn**  
214.969.1585  
[Neely.Munnerlyn@tklaw.com](mailto:Neely.Munnerlyn@tklaw.com)

**Shelly A. Youree**  
310.203.6901  
[Shelly.Youree@tklaw.com](mailto:Shelly.Youree@tklaw.com)

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