



**M Benefit Solutions**  
*Bank Strategies®*

An M Financial Group Company

Total Solutions for Attracting, Retaining, and Rewarding Top Talent

# IRS ANNOUNCEMENT

## QUALIFIED PENSION PLAN LIMITATIONS FOR 2016

NOVEMBER 2015

The Internal Revenue Service recently announced cost-of-living and statutory dollar limitations for qualified pension plans for 2016. Many of the limitations remain unchanged, including all of those listed below.

PROVISION	2015 LIMIT	2016 LIMIT
<b>401(k) Elective Deferral Limit</b>		
Annual employee contribution to 401(k) plans	\$18,000	\$18,000
Additional 401(k) contributions for employees age 50 or over	\$6,000	\$6,000
<b>Maximum Compensation Limit</b>		
The amount of annual compensation that can be taken into account when determining plan benefits	\$265,000	\$265,000
<b>Defined Benefit Limit</b>		
The maximum annual straight-life benefit at age 65 (not to exceed 100% of average annual compensation)	\$210,000	\$210,000
<b>Defined Contribution Limit</b>		
The maximum annual contribution to a defined contribution plan (not to exceed 100% of compensation)	\$53,000	\$53,000
<b>Highly Compensated Employee Definition</b>		
Dollar limit on who is considered a highly compensated employee	\$120,000	\$120,000

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## SOCIAL SECURITY FACTS

The combined tax rate for Social Security and Medicare for an employee is 7.65%. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount.

The Medicare portion (HI) is 1.45% on all earnings. There is an additional 0.9% Medicare tax on all earnings above certain threshold amounts (\$250,000 in wages for married filing jointly and \$200,000 for single taxpayers). These thresholds are not indexed for inflation. For a married couple, filing a joint return, the additional 0.9% tax is on the combined earnings of the employee and the employee's spouse.

TAX RATES	2015	2016
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

MAXIMUM TAXABLE EARNINGS	2015	2016
Social Security (OASDI only)	\$118,500	\$118,500
Medicare (HI only)	No Limit	No Limit



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