

IRS Announcement Qualified Pension Plan Limitations for 2021

The Internal Revenue Service recently announced cost-of-living and statutory dollar limitations for qualified pension plans for 2021. Some of the key limits are included below. The complete list can be found in [IRS Notice 2020-79](#).

PROVISION	2020 LIMIT	2021 LIMIT
401(k) Elective Deferral Limit		
Annual employee contribution to 401(k) plans	\$19,500	\$19,500
Additional 401(k) contributions for employees age 50 or over	\$6,500	\$6,500
Maximum Compensation Limit		
The amount of annual compensation that can be taken into account when determining plan benefits	\$285,000	\$290,000
Defined Benefit Limit		
The maximum annual straight-life benefit at age 65 (not to exceed 100% of average annual compensation)	\$230,000	\$230,000
Defined Contribution Limit		
The maximum annual contribution to a defined contribution plan (not to exceed 100% of compensation)	\$57,000	\$58,000
Highly Compensated Employee Definition		
Dollar limit on who is considered a highly compensated employee	\$130,000	\$130,000
Income Threshold Defining Key Employees		
Key Employee Dollar Limit for Top-Heavy Plans	\$185,000	\$185,000

COMBINED SOCIAL SECURITY and MEDICARE TAX RATES	2020	2021
	Employee	7.65%
Self-Employed	15.30%	15.30%

MAXIMUM TAXABLE EARNINGS	2020	2021
	Social Security (OASDI only)	\$137,700
Medicare (HI only)	No Limit	No Limit

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