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By Compensation Planning &amp; Employee Benefits Group

The Internal Revenue Service has announced the 2017 cost-of-living adjustments (COLAs) for retirement plans. Some limits have increased, and some have remained the same.

- **Annual compensation limit.** The compensation limit for calculating benefits and contributions, for general and 401(k) discrimination testing, and for determining tax deductions has increased to **\$270,000** for plan years beginning in 2017.
- **Elective deferrals (401(k)/Roth/403(b)/457).** The calendar year elective deferral contribution limit remains at **\$18,000** in calendar year 2017.
- **Catch-up contributions.** The calendar year dollar limitation for catch-up elective deferral contributions for individuals who, in 2017, are age 50 or above remains at **\$6,000** in calendar year 2017.
- **Highly compensated employee.** For plan years ending in 2017, a “highly compensated employee” is one who (a) was a more-than-5% owner during the year or the preceding year, or (b) for the preceding year (i) had compensation in excess of **\$120,000 (whether using 2016 or 2017 as the “preceding year”)** and (ii) if the employer elects for the plan year, was in the top-paid group of employees. (The top-paid group is the top 20 percent of the employees based on compensation.)
- **Defined contribution plans.** The annual dollar limitation on additions to defined contribution plans has increased to **\$54,000** for plan limitation years ending in 2017.
- **Defined benefit plans.** For plan limitation years ending in 2017, the annual dollar benefit limitation under a defined benefit plan has increased to **\$215,000**. For participants who separated from service before January 1, 2017, the 100 percent of average high-three-years’ compensation limit is computed by multiplying the participant’s compensation limitation, as adjusted through 2016, by **1.0112**.

- **ESOP five-year distribution period.** The dollar amount used in determining the maximum account balance in an employee stock ownership plan subject to a five-year distribution period has increased to **\$1,080,000** in 2017, while the dollar amount used to determine the lengthening of the five-year distribution period has increased to **\$215,000**.
- **Key employee in top-heavy plan.** In defining who is a key employee in a top-heavy plan, for plan years ending in 2017, the compensation threshold for an officer has increased to **\$175,000**.
- **Social security taxable wage base.** The social security taxable wage base for 2017 (applicable to integrated plans with plan years beginning in 2017) has increased to **\$127,200**.

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