

EB Flash: IRS Announces 2021 Retirement Plan Limits

Employee Benefits Alert

10.26.2020

The Internal Revenue Service (IRS) today issued [Notice 2020-79](#), which provides inflation-adjusted dollar limits for retirement plans for 2021.

The following highlights some of the key tax-qualified plan changes for 2021:

- **Defined Contribution Plan Limits**
 - **Annual Addition Limit:** The annual Section 415(c) limit for all contributions to an employee's defined contribution plan account is increased from \$57,000 to \$58,000.
 - **Elective Deferral Limit:** The contribution limit for employees who participate in Section 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains unchanged at \$19,500.
 - **Catch-up Contribution Limit:** The catch-up contribution limit for employees aged 50 and over who participate in these plans remains unchanged at \$6,500.
- **Defined Benefit Plan Limits**
 - **Annual Benefit Limit:** The annual Section 415(b) "dollar" limit remains unchanged at \$230,000.
 - **Annual Compensation Limit:** The annual compensation limit under Section 401(a)(17) is increased from \$285,000 to \$290,000.
 - **Highly Compensated Employee Threshold:** The amount of compensation used to determine which employees are "highly compensated employees" under Section 401(a)(17) remains unchanged at \$130,000. Under the look-back rule, employees would be highly compensated in 2021 if they received compensation in excess of the \$130,000 limit in 2020. This limit does not impact employers who elected to use the top-paid group (top 20 percent ranked by compensation) test for determining highly compensated employee status.

The four-page text of Notice 2020-79 is [posted here](#). A press release issued by the IRS announcing the 2021 updates is [posted here](#).

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