



Tax Researcher

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QUALIFIED PENSION PLAN CONTRIBUTION LIMITS INCREASE FOR 2012

In 2001, legislation was signed into law that increased the amounts which may be contributed to 401(k) and other employer-sponsored tax-deferred retirement plans.

The law made extensive changes to the deferral limits for employer-sponsored tax-deferred retirement plans, superseding many cost-of-living adjustments already provided by the Internal Revenue Code. Below are the contribution limits for 2012; amounts that have changed are in bold print.

Plan	2011	2012
401(k)/401(k) Roth Cash or Deferred Arrangement	\$16,500	\$17,000
401(k)/401(k) Roth Age 50 "Catch-up" Substitute Limit	\$22,000	\$22,500
401(k) SIMPLE	\$11,500	\$11,500
401(k) SIMPLE Age 50 "Catch-up" Substitute Limit	\$14,000	\$14,000
403(b)/403(b) Roth Salary Reduction Agreement—Annuity Contract	\$16,500	\$17,000
403(b)/403(b) Roth Age 50 "Catch-up" Substitute Limit	\$22,000	\$22,500
403(b)/403(b) Roth Age 50 + 15-Year "Catch-up" Substitute Limit	\$25,000	\$25,500
408(k) Salary Reduction (SEP)	\$16,500	\$17,000
408(k) (SEP) Age 50 "Catch-up" Substitute Limit	\$22,000	\$22,500
408(p) Salary Reduction Contributions—SIMPLE IRA	\$11,500	\$11,500
408(p) Age 50 "Catch-up" Substitute Limit	\$14,000	\$14,000
457/457 Roth Deferred Compensation Plan State/Local Government	\$16,500	\$17,000
457/457 Roth Age 50 "Catch-up" Substitute Limit	\$22,000	\$22,500
457/457 Roth Last 3 Years Prior to Retirement "Catch-up" Substitute Limit	\$33,000	\$34,000
501(c) Tax Exempt Organizations	\$16,500	\$17,000

Note that the statutory provisions for Section 401(k), Section 403(b), Section 408(k), and Section 457 plans, allow a substitute limit (this amount will remain at \$5,500 in 2012) for "catch-up" contributions by certain individuals. An employee is eligible to make these "catch-up" contributions if the employee is otherwise eligible to make elective deferrals under the plan, and is age 50 or older. A participant who is projected to attain age 50 before the end of a calendar year is deemed to be age 50 as of January 1 of that year. However, this is an optional provision that first must be elected by the pension plan sponsor (employer).

For Section 403(b) annuity plans, there is also a special "catch-up" election for employees who have completed at least 15 years of service with a "qualified organization." Such employees are allowed to contribute an additional \$3,000 annually. Therefore, employees age 50 or older, who have completed at least 15 years of service, may contribute up to \$25,500 in 2012.

In the case of a Section 457 plan, the age 50 "catch-up" rule does not apply during the participant's last three years before retirement, if the plan has a previous "catch-up" provision. In the final three years of employment, under the previous "catch-up" provision, the regularly applicable limit is doubled. Therefore, for such employees in their final three years, the "catch-up" limit is \$34,000 (\$17,000 x 2) for 2012.

For 2012, employers are required to report participants' elective qualified pension deferrals on Form W-2 in Box 12 using codes D through H, S, AA, BB, and EE. The total amount reported for each code must include any elective deferral "catch-up" contributions.

Generally, at the time of contribution, employee deferrals under the limits stated above are exempt from Federal income tax withholding, but Social Security and Medicare taxes normally apply. The contribution amounts also are includable in wages for FUTA tax purposes. However, employer-made contributions to a qualified plan, whether matching or not, are exempt from employment taxes.

IRS ANNOUNCES VARIOUS FEDERAL ANNUAL AMOUNTS AND LIMITS EFFECTIVE 1/1/12

Type	2011	2012
Federal Withholding Allowance Amount	\$3,700	\$3,800
Adoption Assistance Limit	\$13,360	\$12,650
Qualified Transportation Limit (per month):		
Transportation/Transit Passes	\$230	\$125
Qualified Parking	\$230	\$240
Bicycle Commuting	\$20	\$20
Health Savings Account Limits:		
Self Only Coverage	\$3,050	\$3,100
Family Coverage	\$6,150	\$6,250
Catch-Up Contributions 55 or Older	\$1,000	\$1,000

ARIZONA, FLORIDA, MONTANA, OHIO, OREGON, VERMONT AND WASHINGTON ANNOUNCE MINIMUM WAGE RATE INCREASES

The states below have announced increases to their state minimum wage rates effective 1/1/12. For those states that allow employers of tipped employees to take a tip credit, those amounts effective 1/1/12 are also displayed.

	Minimum Wage		Tipped Employees	
	1/1/11	1/1/12	Minimum Cash Wage	Maximum Tip Credit
Arizona	\$7.35	\$7.65	\$4.65	\$3.00
Florida	\$7.31	\$7.67	\$4.65	\$3.02
Montana	\$7.35	\$7.65	N/A	N/A
Ohio*	\$7.40	\$7.70	\$3.85	\$3.85
Oregon	\$8.50	\$8.80	N/A	N/A
Vermont	\$8.15	\$8.46	\$4.10	\$4.36
Washington	\$8.67	\$9.04	N/A	N/A

*Ohio employers with annual gross receipts under \$283,000 per year are covered by the Federal Fair Labor Standards Act (FLSA) and are subject to the prevailing federal minimum wage rates.

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