

# Employee Benefits & Executive Compensation

## Annual Limitations

Effective as of January 1, 2018<sup>†</sup>

LIMIT	2018		2017		2016	
<b>Elective Deferrals</b> IRC Section: 402(g)(1); 457(e)(15); 408(p)(2)(E) 401(k), 403(b), 457(b), and SEPs SIMPLE Plans	\$18,500	\$12,500	\$18,000	\$12,500	\$18,000	\$12,500
<b>Catch-up Contributions</b> (age 50 and older) IRC Section: 414(v)(2)(B)(i) & (ii) 401(k), 403(b), Governmental 457(b), and SEPs SIMPLE Plans	\$6,000	\$3,000	\$6,000	\$3,000	\$6,000	\$3,000
<b>Annual Compensation Limit</b> IRC Section: 401(a)(17); 404(l) General Limit Certain Governmental Plans	\$275,000	\$405,000	\$270,000	\$400,000	\$265,000	\$395,000
<b>Limitations on Benefits and Contributions</b> IRC Section: 415(b)(1)(A); 415(c)(1)(A) Defined Contribution Plans Defined Benefit Plans	\$55,000	\$220,000	\$54,000	\$215,000	\$53,000	\$210,000
<b>“Highly Compensated Employee” Definition</b> IRC Section: 414(q)(1)(B)	\$120,000		\$120,000		\$120,000	
<b>“Key Employee” / “Officer” Definition for Top-Heavy Plans</b> IRC Section: 416(i)(1)(A)(i)	\$175,000		\$175,000		\$170,000	
<b>PBGC Guaranteed Annual Benefit</b> (single life annuity payable at age 65; rounded)	\$65,045		\$64,432		\$60,136	
<b>SEP Coverage</b> IRC Section: 408(k)(2)(C); 408(k)(3)(C) Minimum Compensation Maximum Compensation	\$600	\$275,000	\$600	\$270,000	\$600	\$265,000
<b>Health Savings Accounts (HSAs)</b> Maximum Annual Contributions Minimum Deductible Maximum Out-of-Pocket	Single \$3,450 \$1,350 \$6,650	Family \$6,900* \$2,700 \$13,300	Single \$3,400 \$1,300 \$6,550	Family \$6,750 \$2,600 \$13,100	Single \$3,350 \$1,300 \$6,550	Family \$6,750 \$2,600 \$13,100
<b>Qualified Small Employer Health Reimbursement Arrangements (QSEHRAs)</b> Maximum Annual Reimbursements	Single \$5,050	Family \$10,250	Single \$4,950	Family \$10,050	Single N/A	Family N/A
<b>Health Care Flexible Spending Account Maximum Salary Reduction Contributions</b>	\$2,650 per employee per unrelated employer**		\$2,600 per employee per unrelated employer**		\$2,550 per employee per unrelated employer**	
<b>Dependent Care Assistance Maximum</b>	\$5,000 \$2,500 (married filing separately)		\$5,000 \$2,500 (married filing separately)		\$5,000 \$2,500 (married filing separately)	

<sup>†</sup> Includes subsequent changes made pursuant to the Tax Cuts and Jobs Act of 2017 and IRS Revenue Procedure 2018-27.

LIMIT	2018	2017	2016
<b>Qualified Transportation Fringe (Monthly)</b>			
Parking	\$260	\$255	\$255
Mass Transit Pass/Vanpool	\$260	\$255	\$255
<b>Adoption Assistance Programs</b>			
Maximum Exclusion per Child	\$13,810***	\$13,570	\$13,460
Phase-Out Floor	\$207,140***	\$203,540	\$201,920
Phase-Out Ceiling	\$247,140***	\$243,540	\$241,920
<b>Long-Term Care Deductible Premiums</b>			
Age 40 and younger	\$420	\$410	\$390
Age 41 to 50	\$780	\$770	\$730
Age 51 to 60	\$1,560	\$1,530	\$1,460
Age 61 to 70	\$4,160	\$4,090	\$3,900
Over age 70	\$5,200	\$5,110	\$4,870
<b>Total FICA Tax (Combined OASDI and HI Portions)</b>			
Employers	7.65%	7.65%	7.65%
Employees	7.65%****	7.65%****	7.65%****
<b>FICA Taxes (HI Portion)</b>			
Employees and Employers, each	1.45%****	1.45%****	1.45%****
Wage Base	All Wages	All Wages	All Wages
<b>Social Security Tax (OASDI Portion)</b>			
Employers	6.2%	6.2%	6.2%
Employees	6.2%	6.2%	6.2%
Wage Base	\$128,400	\$127,200	\$118,500

\* Pursuant to IRS Revenue Procedure 2018-27, taxpayers may treat \$6,900 as the maximum deductible HSA contribution for individuals with family coverage under an HDHP for 2018, despite previous IRS guidance reducing such limit to \$6,850 to reflect cost-of-living adjustment methods enacted as part of the Tax Cuts and Jobs Act of 2017.

\*\*Plan sponsors may design their plans to allow participants to carry over up to \$500 of unused amounts for reimbursement of qualified medical expenses incurred during the following plan year. A plan may not simultaneously include this carryover rule and the grace period rule, under which reimbursements may continue to be made for expenses incurred within the first 2 ½ months after the close of the plan year. See IRS Notice 2013-71 for further details.

\*\*\* Certain amounts pertaining to adoption assistance programs were revised by the IRS on March 5, 2018 to reflect new cost-of-living adjustment methods enacted as part of the Tax Cuts and Jobs Act of 2017.

\*\*\*\*Higher-income employees will be subject to an additional 0.9% Medicare tax on wages in excess of threshold amounts based on filing status as listed in the table below. Employers are required to withhold the 0.9% Medicare tax on wages paid to an employee in excess of \$200,000 in 2018 without regard to filing status.

FILING STATUS	THRESHOLD AMOUNT
Married filing jointly	\$250,000
Married filing separately	\$125,000
Single; Head of Household (with qualifying person); or Qualifying widow(er) with dependent child	\$200,000

For more information on the application of these limitations, please contact any of the following members of our benefits practice:

Maureen J. Gorman, Partner  
mgorman@mayerbrown.com

Anna M. O’Meara, Partner  
aomeara@mayerbrown.com

Katherine H. Dean, Counsel  
kdean@mayerbrown.com

James E. Crossen, Associate  
jcrossen@mayerbrown.com

Debra B. Hoffman, Partner  
dhoffman@mayerbrown.com

James C. Williams, Partner  
jcwilliams@mayerbrown.com

Karen F. Grotberg, Counsel  
kgrotberg@mayerbrown.com

Stephanie B. Vasconcellos, Associate  
svasconcellos@mayerbrown.com

Ryan J. Liebl, Partner  
rliebl@mayerbrown.com

Rebecca C. Davenport, Counsel  
rdavenport@mayerbrown.com

Cecilia A. Roth, Counsel  
croth@mayerbrown.com

IRS CIRCULAR 230 NOTICE. Any advice expressed herein as to tax matters was neither written nor intended by Mayer Brown LLP to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed under US tax law. If any person uses or refers to any such tax advice in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then (i) the advice was written to support the promotion or marketing (by a person other than Mayer Brown LLP) of that transaction or matter, and (ii) such taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

This Mayer Brown publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is not a comprehensive treatment of the subject matter covered and is not intended to provide legal advice. Readers should seek specific legal advice before taking any action with respect to the matters discussed herein.

© 2018. The Mayer Brown Practices. All rights reserved.

Updated as of May 9, 2018