

IV. Retirement Plans

A. Overview of Retirement Plans - Tax Year 2016

Type of Plan	Last Day to Establish	Contributions Deadline	Maximum Contribution
IRA	4-15-17	4-15-17	<p>The lesser of:</p> <p>a. Earned income, or</p> <p>b. \$5,500</p> <p>Nonworking spouse entitled to full \$5,500 IRA if either spouse has appropriate earned income. Age 50 or over \$6,500</p>
SEP	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Due date of tax return, including extensions 10-15-17 </div>	Due date of tax return, including extensions 10-15-17	<p>The lesser of:</p> <p>a. 25% of compensation, or</p> <p>b. 53,000</p> <p><i>Note: For sole proprietors, 20% of net self-employed income.</i></p>
Keogh or H.R. 10 Plans	12-31-16	Due date of tax return, including extensions 10-15-17	<p><i>Note: The amount needed to fund the retirement benefit will be actuarially determined yearly to be the lesser of:</i></p> <p>a. \$210,000, or</p> <p>b. 100% of compensation for three highest years</p>
1. Defined Benefit Pension Plan	12-31-16	Due date of tax return, including extensions 10-15-17	<p>The lesser of:</p> <p>a. 10% of compensation, or</p> <p>b. \$53,000 - Both MP & PS</p> <p><i>Note: Under 2001 Tax Act, P/S contribution now 25%.</i></p>
2. Money Purchase Plan	No longer necessary due to profit-sharing increase to 25%	Due date of tax return, including extensions 10-15-17	<p>The lesser of:</p> <p>a. 10% of compensation, or</p> <p>b. \$53,000 - Both MP & PS</p> <p><i>Note: Under 2001 Tax Act, P/S contribution now 25%.</i></p>
3. Profit-Sharing Plan	12-31-16 Increased to 25%	Due date of tax return, including extensions 10-15-17	<p>The lesser of:</p> <p>a. 25% of compensation - For owners, 20% of net self-employed income, or</p> <p>b. \$53,000</p>
4. SIMPLE IRA	10-01-16 (for 2016 tax year)	Due date of tax return, including extensions for the 3% or 2% match	<p>The lesser of:</p> <p>a. 100% of net income (less ½ of SE tax, self-employed), or</p> <p>b. \$12,500 - age 50 or over \$15,500</p>

Practitioner's Alert: For clients with cash flow problems, an extension will give the business owner up to October 15 to fund the liability. This is a tremendous reason for filing Form 4868 or Form 7004. However, there must be some current funding of a defined benefit liability.

III. Summary of Employee Plan Limits

<u>Summary of Employee Plan Limits</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
1. Annual benefit for a participant in a defined benefit plan [Section 415(b)(1)(A)].....	\$215,000	\$210,000	\$210,000	\$210,000
2. Maximum contribution for defined contribution plan [Section 415(c)(1)(A)]....	54,000	53,000	53,000	52,000
3. Maximum elective deferred amount under a 401(k) plan [Sections 402(g)(1) and 403(b) annuities]	18,000	18,000	18,000	17,500
*Catch-up contributions.	6,000	6,000	6,000	5,500
4. Maximum elective deferred amount under a 457 (b)(2) and (c)(1) plan.	18,000	18,000	18,000	17,500
*Catch-up contributions.	6,000	6,000	6,000	5,500
5. Maximum elective deferred amount for an SEP salary reduction (SARSEP)	18,000	18,000	18,000	17,500
6. Annual compensation limit [Sections 401(a)(1), 404(I) and 408(K)(3)(c)].....	270,000	265,000	265,000	260,000
7. Compensation - Highly-compensated employee [Section 414(q)(1)(B)].....	120,000	120,000	120,000	115,000
*An individual is considered highly compensated for the current year if the prior year earning exceeds the amount listed [Sec. 414 (q)(3)]				
8. Minimum compensation amount for SEPs [Section 408(k)(2)(c)]	600	600	600	550
9. Compensation amount for SEPs	270,000	265,000	265,000	260,000
10. <u>SEP IRA Contribution limit</u>	54,000	53,000	53,000	52,000
11. <u>SIMPLE Retirement Plan - Compensation</u> amount [Section 408 P(2)(A)]	12,500	12,500	12,500	12,000
*Catch-up contributions.	3,000	3,000	3,000	2,500
12. SIMPLE IRA compensation amount for simplified employee pension plan (2% matching) from employer.	270,000	265,000	265,000	260,000
13. SIMPLE IRA compensation amount for simplified employee pension plan (3% matching) from employer.		416,650	416,650	400,000
14. Definition of control employee - Compensation amounts under Section 1.161-21(f)(5)(i) for fringe benefit valuation purposes.		105,000	105,000	100,000
For compensation purposes under 1.161-21(f)(iii)	215,000	215,000	215,000	210,000
*Catch-up contributions age 50 or over				

B. Summary of Abbreviated Plan Requirements (2016)

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	Simplified Employee Pensions (SEPs)	401(k) Plans Salary Reduction Arrangements	Defined Contributions	Defined Benefits	SIMPLE IRAs
Participating Employees	All eligible	At least 50% must participate	All	All	Earned at least \$5,000 in any two preceding years and expected to earn \$5,000 in current year to participate in the plan (can be reduced to -0-)
Time Before Eligible	3 Years	3 Years	1 to 2 Years	1 to 2 Years	See earnings test (above) 2 Years
Age Eligible	21	21	21	21	N/A
Contributions Limited to	25% of compensation or \$53,000	25% of compensation or \$18,000 Age 50 or over additional \$6,000	* M-P 10% * P-S 25% Limited to \$53,000	1) Determine actual three years highest pay limited to \$210,000	\$12,500 per year Age 50 or over additional \$3,000
Percentage is Fixed/Variable	Variable	Variable	Fixed/M-P* Variable/P-S*	Same as 1) above	Variable
Discrimination Permissible?	No	No	No	No	Yes Avoids top-heavy rules and discrimination testing for salary deferrals
Are Contributions Subject to FICA?					
Employee	No	Yes	No	No	Yes
Self-Employed	Yes	N/A	Yes	No	Yes
Contributing Up to Age	As long as working with earnings	✓	✓	✓	✓
Distributions Required Age	70½	Per plan document	Per plan document	Per plan document	70½
Contribution Due by Employee	N/A	12/31	N/A	N/A	12/31
Contribution Due by Employer	Due date of tax return, plus extensions	✓	✓	✓	✓

V. Rollover Chart

Roll To									
	Roth IRA	Traditional IRA	SIMPLE IRA	SEP-IRA	Governmental 457(b)	Qualified Plan ¹ (pre-tax)	403(b) (pre-tax)	Designated Roth Account [401(k), 403(b) or 457(b)]	
Roll From:									
Roth IRA	YES ²	NO	NO	NO	NO	NO	NO	NO	
Traditional IRA	YES ³	YES ²	NO	YES ²	YES ⁴	YES	YES	NO	
SIMPLE IRA	YES, ³ after two years	YES, ³ after two years	YES ²	YES, ² after two years	YES, ⁴ after two years	YES, after two years	YES, after two years	NO	
SEP-IRA	YES ³	YES ²	NO	YES ²	YES ⁴	YES	YES	NO	
Governmental 457(b)	YES ³	YES	NO	YES	YES	YES	YES	YES ^{3,5}	
Qualified Plan¹ (pre-tax)	YES ³	YES	NO	YES	YES ⁴	YES	YES	YES ^{3,5}	
403(b) (pre-tax)	YES ³	YES	NO	YES	YES ⁴	YES	YES	YES ^{3,5}	
Designated Roth Account	YES	NO	NO	NO	NO	NO	NO	YES ⁶	

¹ Qualified plans include, for example, profit-sharing, 401(k), money purchase and defined benefit plans.

² Beginning in 2015, only one rollover in any 12-month period. A transitional rule may apply in 2015.

³ Must include in income.

⁴ Must have separate accounts.

⁵ Must be an in-plan rollover.

⁶ Any amounts distributed must be rolled over via direct (trustee-to-trustee) transfer to be excludable from income.

For more information regarding retirement plans and rollovers, visit **Tax Information for Retirement Plans**.