

# Employee Benefits

October 22, 2015

## EMPLOYEE BENEFITS-RELATED LIMITS FOR 2016

The following chart sets forth some of the annually-adjusted dollar limits that impact employee benefits, as published by the Internal Revenue Service, the Social Security Administration and the Pension Benefit Guaranty Corporation.

ADJUSTED ITEM	2016	2015	Notes
<b>Elective Deferrals</b> 401(k), 403(b), 457(b) and SEPs (IRC 402(g)(1); 457(e)(15)) SIMPLE Plans (IRC 408(p)(2)(E))	\$18,000 \$12,500	\$18,000 \$12,500	(a)
<b>Catch-up Contributions</b> (IRC 414(v)(2)(B)(i) and (ii)) 401(k), 403(b), Governmental 457(b) and SEPs SIMPLE Plans	\$6,000 \$3,000	\$6,000 \$3,000	(a)
<b>Annual Compensation Limit</b> Generally (IRC 401(a)(17); 404(l); 408(k)(3)(C) and 408(k)(6)) Certain Governmental Plans in effect on July 1, 1993	\$265,000 \$395,000	\$265,000 \$395,000	(b)
<b>Annual Additions</b> Defined Contribution Plan (IRC 415(c)(1)(A)) Defined Benefit Plan (IRC 415(b)(1)(A))	\$53,000 \$210,000	\$53,000 \$210,000	(c) (b)
<b>Highly Compensated Employee</b> (IRC 414(q)(1)(B))	\$120,000	\$120,000	(b)
<b>Key Employee Officer for Top-Heavy Plans</b> (IRC 416(i)(1)(A)(i))	\$170,000	\$170,000	(b)
<b>PBGC Guaranteed Annual Benefit</b> (single life annuity; age 65; rounded)	\$60,136	\$60,136	(d)
<b>Tax Credit ESOP</b> (IRC 409(o)(1)(C)) 5 Year Maximum Balance Additional 1 Year Limit	\$1,070,000 \$210,000	\$1,070,000 \$210,000	(b)
<b>SEP</b> (IRC 408(k)) Minimum Compensation (for coverage) (IRC 408(k)(2)(C)) Maximum Compensation (IRC 408(k)(3)(C))	\$600 \$265,000	\$600 \$265,000	(e) (b)
<b>Health Savings Accounts (HSAs)</b> (IRC 223(b) and (c)) Maximum Annual HSA Contribution Self-only Coverage Family Coverage Age 55 Additional HSA Contribution (Maximum) HDHP Annual Deductible Minimum (to have HSA) Self-only Coverage Family Coverage HDHP Annual Out-of-Pocket Expense Maximum (to have HSA) Self-only Coverage Family Coverage Excise Tax for Non-Medical Distributions from HSA	\$3,350 \$6,750 \$1,000 \$1,300 \$2,600 \$6,550 \$13,100 20%	\$3,350 \$6,650 \$1,000 \$1,300 \$2,600 \$6,450 \$12,900 20%	(f)
<b>Group Health Out-of-Pocket Maximum</b> (PHSA 2707(b); PPACA 1302(c)(1)) Individual Coverage Family Coverage	\$6,850 \$13,700	\$6,600 \$13,200	(ff)
<b>Health FSA maximum annual contribution</b> (IRC 125(i))	\$2,550	\$2,550	(e)

ADJUSTED ITEM	2016	2015	Notes
<b>Qualified Transportation Fringe</b> (IRC 132(f)(2))			
Employer-provided Parking (monthly)	\$255	\$250	(g)
Mass Transit Pass and Van Pool (monthly)	\$130	\$130	(g)
Bicycle Commuting (monthly)	\$ 20	\$ 20	(gg)
<b>Dependent Care Assistance</b> Maximum Gross Income Exclusion (IRC 129(a)(2)(A))	\$5,000	\$5,000	(h)
<b>Adoption Assistance Programs</b>			(i)
Dollar Limit on Excludable Benefits (IRC 137(b)(1))	\$13,460	\$13,400	
Phase-Out Income Threshold (IRC 137(b)(2))			
Floor	\$201,920	\$201,010	
Ceiling	\$241,920	\$241,010	
<b>Long-Term Care Premiums as medical expenses</b> (IRC 213(d)(10))			(j)
Taxpayer age 40 and younger	\$390	\$380	
Taxpayer over age 40 but not more than age 50	\$730	\$710	
Taxpayer over age 50 but not more than age 60	\$1,460	\$1,430	
Taxpayer over age 60 but not more than age 70	\$3,900	\$3,800	
Taxpayer over age 70	\$4,870	\$4,750	
<b>Social Security OASDI Taxable Wage Base</b>	\$118,500	\$118,500	(k)

- (a) Indexed in \$500 increments
- (b) Indexed in \$5,000 increments
- (c) Indexed in \$1,000 increments
- (d) Rounded. See PBGC Maximum Insurance Benefit Level for 2016, Oct. 28, 2015, [http://pbgc.gov/news/press/releases/pr15-11.html?cid=COLA01ACOC2820151&source=govdelivery&utm\\_medium=email&utm\\_source=govdelivery](http://pbgc.gov/news/press/releases/pr15-11.html?cid=COLA01ACOC2820151&source=govdelivery&utm_medium=email&utm_source=govdelivery). For multiemployer plans, the PBGC maximum annual guarantee for a retiree with 30 years of service is 100% of the first \$3,960 and 75% of the next \$11,760 for a total guarantee of \$12,870. This limit has been in place since 2001 and is not indexed.
- (e) Indexed in \$50 increments
- (f) Indexed in \$50 increments. IRC 223(g). See Rev. Proc. 2015-30, <http://www.irs.gov/pub/irs-drop/rp-15-30.pdf>.
- (ff) Applies to non-grandfathered health plans. Beginning with the 2015 plan year and thereafter, the OOP annual maximum will be increased by the premium adjustment percentage described under PPACA 1302(c)(4). In the final HHS Notice of Benefit and Payment Parameters for 2016 (2016 Payment Notice) (80 FR 10750), HHS clarified that, under PPACA 1302(c)(1), for plan or policy years beginning in or after 2016, the self-only maximum annual limitation on cost sharing applies to each individual, regardless of whether the individual is enrolled in self-only coverage or in coverage other than self-only. See FAQs about Affordable Care Act Implementation (Part XXVII) dated May 26, 2015, <http://www.dol.gov/ebsa/faqs/faq-aca27.html>.
- (g) Indexed in \$5 increments. IRC 132(f).
- (gg) IRC 132(f), as amended by Section 211(a) of Division B of the Emergency Economic Stabilization Act of 2008. Cannot receive bicycle benefit in any month in which any other qualified transportation fringe benefit is received. Not currently adjusted for inflation.
- (h) \$2,500 in the case of married filing separate return. Amount is fixed by statute. See, IRC 129(a)(2)(A).
- (i) Indexed in \$10 increments. IRC 137(f).
- (j) Indexed in \$10 increments. IRC 213(d)(10)(B). Based on taxpayer's age before the close of the tax year.
- (k) Indexed in \$300 increments. See <http://www.socialsecurity.gov/news/cola/>. For 2016, the FICA tax rate is 7.65% for employees and 15.30% for self-employed. The maximum 2016 OASDI portion of FICA tax payable by each employee is 6.2% of the wage base (\$7,347). Employers match the employee amount with an equal contribution. The maximum 2016 OASDI tax rate for self-employment income is 12.4%. There is no wage base for the Medicare (HI) portion of FICA taxes and all wages earned are subject to the HI tax, which also is paid by employers and employees. Each pays at a 1.45% rate, although employees pay an additional 0.9% on wages greater than \$200,000. See <http://www.ssa.gov/OACT/COLA/cbb.html>.

**Sources:** "IRS Announces 2016 Pension Plan Limitations; 401(k) Contribution Limit Remains Unchanged at \$18,000 for 2016," IR-2015-118, Oct. 21, 2015, [https://www.irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations-401\(k\)-Contribution-Limit-Remains-Unchanged-at-18,000-for-2016](https://www.irs.gov/uac/Newsroom/IRS-Announces-2016-Pension-Plan-Limitations-401(k)-Contribution-Limit-Remains-Unchanged-at-18,000-for-2016); Cost-of-Living Adjustments for Retirement Items, [http://www.irs.gov/pub/irs-tege/cola\\_table.pdf](http://www.irs.gov/pub/irs-tege/cola_table.pdf); Revenue Procedure 2015-53, <http://www.irs.gov/pub/irs-drop/rp-15-53.pdf>; "In 2016, Some Tax Benefits Increase Slightly Due to Inflation Adjustments, Others Are Unchanged," IR-2015-119, Oct. 21, 2015, <https://www.irs.gov/uac/Newsroom/In-2016-Some-Tax-Benefits-Increase-Slightly-Due-to-Inflation-Adjustments-Others-Are-Unchanged>.



If you have questions or would like assistance on issues affecting your benefit plans, please contact us:

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