

Internal Revenue Service (IRS) Announces Employee Benefit Plan Limits for 2014

Article By:

Jeffrey M. Holdvogt

Diane M. Morgenthaler

The Internal Revenue Service (IRS) recently announced cost-of-living adjustments to the applicable dollar limits on various employer-sponsored retirement and welfare plans for 2014. Although many dollar limits currently in effect for 2013 will change, some limits will remain unchanged for 2014. This On the Subject provides a chart of these 2014 cost-of-living changes.

Recently the Internal Revenue Service (IRS) announced the cost-of-living adjustments to the applicable dollar limits on various employer-sponsored retirement and welfare plans for 2014. Although many dollar limits currently in effect for 2013 will change, some limits will remain unchanged for 2014. The table below compares the applicable dollar limits for 2013 and 2014 for certain employee benefit programs.*

RETIREMENT PLAN LIMITS	2014	2013
Annual compensation limit	\$260,000	\$255,000
401(k), 403(b) & 457(b) before-tax contributions	\$17,500	\$17,500
Catch-up contributions (if age 50 or older)	\$5,500	\$5,500
Highly compensated employee threshold	\$115,000	\$115,000
Key employee officer compensation threshold	\$170,000	\$165,000
Defined benefit plan annual benefit and accrual limit	\$210,000	\$205,000
Defined contribution plan annual contribution limit	\$52,000	\$51,000
Employee stock ownership plan (ESOP) limit for determining the lengthening of the general five-year distribution period	\$210,000	\$205,000

ESOP limit for determining the maximum account balance subject to the general five-year distribution period	\$1,050,000	\$1,035,000
HEALTH AND WELFARE PLAN LIMITS		
Health Flexible Spending Accounts		
Maximum salary reduction limit	\$2,500	\$2,500
High Deductible Health Plans (HDHP) and Health Savings Accounts (HSA)		
<i>HDHP – Maximum annual out-of-pocket limit (excluding premiums)</i>		
Self-only coverage	\$6,350	\$6,250
Family coverage	\$12,700	\$12,500
<i>HDHP – Minimum annual deductible</i>		
Self-only coverage	\$1,250	\$1,250
Family coverage	\$2,500	\$2,500
<i>HSA – Annual contribution limit</i>		
Self-only coverage	\$3,300	\$3,250
Family coverage	\$6,550	\$6,450
Catch-up contributions (age 55 or older)	\$1,000	\$1,000

Plan sponsors should update payroll and plan administration systems for the 2014 cost-of-living adjustments and should incorporate the new limits in relevant participant communications, including open enrollment materials and summary plan descriptions.

*The dollar limits are generally applied on a calendar-year basis; however, certain dollar limits are applied on a plan-year, tax-year or limitation-year basis.

© 2025 McDermott Will & Emery

National Law Review, Volume III, Number 306

Source URL: <https://natlawreview.com/article/internal-revenue-service-irs-announces-employee-benefit-plan-limits-2014>