
Limitations on Benefits and Contributions under Qualified Plans; Cost-of-Living Adjustments for 2000¹

Notice 99-55

Section 415 of the Internal Revenue Code (the Code) provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415 also requires that the Commissioner annually adjust these limits for cost-of-living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments.

Effective January 1, 2000, the limitation for the annual benefit under § 415(b)-(1)(A) for a defined benefit plan is increased from \$130,000 to \$135,000. For participants who separated from service before January 1, 2000, the limitation for defined benefit plans under § 415(b)-

(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 1999 by 1.0235. The limitation for defined contribution plans under § 415(c)(1)(A) remains unchanged at \$30,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of § 415(b)(1)(A) is adjusted. These dollar amounts and the adjusted amounts are as follows:

The limitation under § 402(g)(1) on the exclusion for elective deferrals described in § 402(g)(3) is increased from \$10,000 to \$10,500.

The dollar amount under § 409(o)(1)-(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$735,000 to \$755,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$145,000 to \$150,000.

The limitation used in the definition of a highly compensated employee under § 414(q)(1)(B) is increased from \$80,000 to \$85,000.

The annual compensation limit under §§ 401(a)(17) and 404(l) is increased from \$160,000 to \$170,000. The annual compensation limit under § 401(a)(17) for eligible participants in certain govern-

mental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under § 401(a)(17) to be taken into account, is increased from \$270,000 to \$275,000.

The compensation amount under § 408(k)(2)(C) regarding simplified employee pension plans (SEPs) is increased from \$400 to \$450. The compensation amount under § 408(k)(3)(C) for SEPs is increased from \$160,000 to \$170,000.

The limitation under § 408(p)(2)(A) regarding simple retirement accounts remains unchanged at \$6,000.

The limitation on deferrals under § 457(b)(2) and (c)(1) concerning eligible deferred compensation plans of state and local governments and of tax-exempt organizations remains unchanged at \$8,000.

The compensation amounts under § 1.61-21(f)(5)(i) and (iii) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes are increased from \$70,000 and \$145,000, respectively, to \$75,000 and \$150,000, respectively.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

¹ Based on News Release IR-1999-80, dated October 19, 1999.