

2001 Limitations Adjusted as Provided in Section 415(d), Etc.¹

Notice 2000-66

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 qualified retirement plans, other deferred compensation plans, and fringe benefits are also affected by these adjustments.

Effective January 1, 2001, the limitation for the annual benefit under § 415(b)(1)(A) for a defined benefit plan is increased from \$135,000 to \$140,000. For participants who separated from service before January 1, 2001, the limitation for defined benefit plans under § 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2000 by 1.0351. The limitation for defined contribution plans under § 415(c)(1)(A) is increased from \$30,000 to \$35,000.

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) remains unchanged at \$10,500. This limitation affects elective deferrals to § 401(k) plans and to the federal government's Thrift Savings Plan, among other plans.

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 \$755,000 to \$780,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$150,000 to \$155,000.

The limitation used in the definition of a highly compensated employee under § 414(q)(1)(B) remains unchanged at \$85,000.

The annual compensation limit under §§ 401(a)(17) and 404(1) remains unchanged at \$170,000. The annual compensation limit under § 401(a)(17) for eligible participants in certain governmental 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 \$275,000 to \$285,000.

The compensation amount under § 408(k)(2)(C) regarding simplified employee pension plans (SEPs) remains unchanged at \$450. The compensation amount under § 408(k)(3)(C) for SEPs remains unchanged at \$170,000.

The limitation under § 408(p)(2)(A) regarding simple retirement accounts is increased from \$6,000 to \$6,500.

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 is increased from \$8,000 to \$8,500.

The compensation amount under § 1.61-21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes remains unchanged at

¹Based on News Release IR-2000-82, dated November 20, 2000.

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from \$150,000 to \$155,000.

Administrators of defined benefit
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maximum limitations in the plans.

*26 CFR 601.201: Rulings and determination letter
(Also Part I, §§ 162, 167, 197, 446, 481; 1.162–11,
1.167(a)–14, 1.197–2, 1.446–1.)*