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2021 COLA Adjustments: 401(k) Contribution Limit Remains \$19,500 for 2021



The Internal Revenue Service announced cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2021 in [Notice 2020-79](#).

Key employee contribution limits remain unchanged

The limit on contributions by employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan [remains unchanged at \\$19,500](#).

The catch-up contribution limit for employees aged 50 and over who participate in these plans remains unchanged at \$6,500.

The limitation regarding SIMPLE retirement accounts remains unchanged at \$13,500.

The limit on annual contributions to an IRA remains unchanged at \$6,000. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains \$1,000.

Highlights of changes for 2021 and other adjustments

The limitation for defined contribution plans under § 415(c)(1)(A) is increased for 2021 from \$57,000 to \$58,000

The annual compensation limit under §§ 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$285,000 to \$290,000.

The dollar limitation under § 416(i)(1)(A)(i) concerning the definition of "key employee" in a top-heavy plan remains unchanged at \$185,000

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement

Arrangements (IRAs), to contribute to Roth IRAs and to claim the Saver's Credit all increased for 2021.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or his or her spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor his or her spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase-out ranges for 2021:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is \$66,000 to \$76,000, up from \$65,000 to \$75,000.
- For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is \$105,000 to \$125,000, up from \$104,000 to \$124,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$198,000 and \$208,000, up from \$196,000 and \$206,000.
- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000. The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is \$66,000 for married couples filing jointly, up from \$65,000; \$49,500 for heads of household, up from \$48,750; and \$33,000 for singles and married individuals filing separately, up from \$32,500.
- The income phase-out range for taxpayers making contributions to a Roth IRA is \$125,000 to \$140,000 for singles and heads of household, up from \$124,000 to

\$139,000. For married couples filing jointly, the income phase-out range is \$198,000 to \$208,000, up from \$196,000 to \$206,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

Details on these and other retirement-related cost-of-living adjustments for 2021 are in [Notice 2020-79](#), available on IRS.gov.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan

audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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