IRS

401(k) contribution limit increases to $19,500 for 2020; catch-up limit rises to $6,500

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WASHINGTON — The Internal Revenue Service today announced that employees in 401(k) plans will be able to contribute up to $19,500 next year.

The IRS announced this and other changes in Notice 2019-59 (PDF), posted today on IRS.gov. This guidance provides cost-of-living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2020.

Highlights of changes for 2020

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased from $19,000 to $19,500.

The catch-up contribution limit for employees aged 50 and over who participate in these plans is increased from $6,000 to $6,500.

The limitation regarding SIMPLE retirement accounts for 2020 is increased to $13,500, up from $13,000 for 2019.

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 2020.

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 2020:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is $65,000 to $75,000, up from $64,000 to $74,000.
- For married couples filing jointly, where the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is $104,000 to $124,000, up from $103,000 to $123,000.
- 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 $196,000 and $206,000, up from $193,000 and $203,000.

- 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 phase-out range for taxpayers making contributions to a Roth IRA is $124,000 to $139,000 for singles and heads of household, up from $122,000 to $137,000. For married couples filing jointly, the income phase-out range is $196,000 to $206,000, up from $193,000 to $203,000. 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.

The income limit for the Saver's Credit (also known as the Retirement Savings Contributions Credit) for low- and moderate-income workers is $65,000 for married couples filing jointly, up from $64,000; $48,750 for heads of household, up from $48,000; and $32,500 for singles and married individuals filing separately, up from $32,000.

Key limit remains unchanged

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.

Details on these and other retirement-related cost-of-living adjustments for 2020 are in Notice 2019-59 (PDF), available on IRS.gov.

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