

The Blue Chip Blast – November, 2023

2024 Limits Released

The Internal Revenue Service has recently issued pension plan limitations for the 2024 tax year

LIMITS	2024	2023
401(k) or Roth Elective Deferral (calendar year)	\$23,000.00	\$22,500.00
401(k) Catch-up Contribution (age 50 & Older)	\$7,500.00	\$7,500.00
Annual Contribution Limit	\$69,000.00	\$66,000.00
Annual Contribution Limit (age 50 & older)	\$76,500.00	\$73,500.00
Plan Compensation Limit (based on 1st day of Plan Year)	\$345,000.00	\$330,000.00
Social Security Wage Base	\$168,600.00	\$160,200.00
Highly Compensated Employee Compensation	\$155,000.00	\$150,000.00
Officer Compensation for Key Employee Definition	\$220,000.00	\$215,000.00

DEADLINES! DEADLINES! DEADLINES!

As we approach the end of another calendar year we know everyone is focused on holidays and festivities. But as soon as those are over we all need to start working on the year end work both for your business and your retirement plan. We want to remind you of the deadlines to have your plan meet compliance deadlines.

DESCRIPTION	12/31 Plan Year	Off Calendar Year
1099-R for prior year distributions	1/31	1/31
ADP/ACP Testing for non safe-harbor 401(k) plans	3/15	2 1/2 months after plan year end
Refunds for test failure	3/15	2 1/2 months after plan year end
Employer Contributions	Company Tax deadline + extensions	Company Tax deadline + extensions
Form 5500	7/31	7 months after plan year end
Extended Form 5500	10/15	9 1/2 months after plan year end
Summary Annual Report	9/30 or 12/15 if extended	60 days after Form 5500 filing

IT'S FINALLY HERE- LONG TERM PART TIME(LTPT) GUIDANCE!!

On Friday after Thanksgiving, the IRS finally issued their guidance on the law passed by Congress in December, 2021 effective January 1, 2024. We are thankful (haha) that it is finally here but we have to laugh at the long delay and bad timing – and thus the delayed release of the November Blast. So here is what we now know:

1. An LTPT is a person who has worked between 500 and 999 hours for 3 consecutive years beginning January 1, 2021. For entry beginning 1/1/2025, only 2 consecutive years are required.
2. Plan sponsors can still exclude certain classes of employees (i.e.: clerks, interns, people in the Chicago office, those that wear red shirts) from the plan with no need to cover the LTPT folks in those groups. Similarly, if you exclude all employees at a related employer, then the LTPT employees at that employer are excluded as well.
3. Plan sponsors cannot exclude groups where the exclusion is based on age or service from the LTPT rules. Therefore, you can't exclude seasonal or temporary employees, employees regularly scheduled to work less than 20 hours a week, or any group that disguises the age/service under another heading. For instance, you can't exclude clerks if all clerks are part-time employees. However, you can exclude nurses if you employ both full time and part time nurses.
4. LTPT employees MUST be offered the opportunity to contribute to the plan. However, you do not have to make a match or profit sharing or other Employer contribution if you do not want to. You can make a contribution for them if you wish, but you are not required to under the law.
5. Under a Safe Harbor Plan, the failure to provide an employer contribution to these participants will not violate your Safe Harbor and you will still receive exemption from Top Heavy rules.
6. The regulations permit an employer to elect whether to include the LTPTs in testing or to provide them with safe harbor contributions. However, they require that this decision be made in relation to all nondiscrimination and coverage rules. The result is that, if you exclude LTPTs from nondiscrimination, they must be excluded from all nondiscrimination testing, even if you provide them with additional benefits
7. To be an LTPT, the only reason why the participant is eligible must be the application of the LTPT rules. If the employee becomes eligible for any other reason, they are not an LTPT. Once a participant has entered the plan outside of the LTPT rules, whether or not they are an LTPT is never redetermined. So, for example, an employee who works more than 1,000 hours in their first employment year, and meets the plan's one-year waiting period, will not be transformed into an LTPT if, in later years, they work between 500 and 999 hours in two consecutive years.

Holiday Hours

We at Blue Chip Retirement Plans want to wish each of you a very happy holiday season whatever holiday you celebrate. So that we can enjoy our holidays, the following hours will be recognized

December 22, 25, & 26 Office closed

December 29 Office closed at noon
January 1 & 2 Office Closed

