



SOCIETY OF ACTUARIES

Article from:

# Pension Section News

January 1998 – Issue 35

# Summary of 1998 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts

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## IRC Qualified Retirement Plan Limits

IRS annually adjusts qualified plan limits for increases in the cost of living. The 1998 limits reflect third quarter CPI increases from 1997 to 1998, and they are rounded down to multiples of \$50, \$500, \$5,000, or \$10,000. Table 1 shows a five-year summary of IRC qualified plan limits. In addition to 1998 cost-of-living increases, the table reflects changes made by the Taxpayer Relief Act of 1997:

- Section 415(b)(2)(G) was amended to provide that the maximum annuity payable to qualified police and firefighters is not reduced for commencement before Social Security normal retirement age for plan years beginning after December 31, 1996; and
- Section 4980A tax on excess distributions was repealed for distributions made after December 31, 1996 (the Small Business Job Protection Act of 1996 had previously suspended the section 4980A excess distribution tax for distributions between January 1, 1997 and December 31, 1999).

**PBGC Guaranteed Benefits**The maximum PBGC guaranteed monthly benefit for a single-employer defined-benefit plan terminating in 1998 will be \$2,880.68 per month—a 4.3% increase over the 1997 limit of \$2,761.36. This amount is adjusted if benefit payments start before age 65 or benefits are paid in a form other than a single-life annuity.

## Federal Income Tax Factors

Federal income tax factors are adjusted annually based on year-to-year changes in the average cost of living (CPI-U) for the 12 months from September through the following August. The IRS announcement of inflation-adjusted tax factors for 1998, expected in December 1997, was not available at the deadline for this article. Table 2 on page 4 present estimated 1998 values calculated using the procedure described in IRS Revenue Procedures announcing prior years' inflation-adjusted amounts. According to our calculations, federal income tax factors will increase 2.2% from 1997 to 1998, before rounding.

Personal exemptions are phased out for taxpayers whose adjusted gross incomes exceed specified amounts (which vary by tax filing status). The estimated 1998 "threshold amounts" at which phaseout begins and ends are shown in Table 3.

Total itemized deductions for 1998 are reduced by 3% of a taxpayers adjusted gross income in excess of \$124,500 (\$62,250 for married, filing separately), an increase from \$121,200 in 1997 (\$60,600 for married, filing separately).

Certain taxpayers are entitled to an earned income tax credit (EIC) equal to the maximum credit amount reduced by the phaseout amount. The phaseout amount equals the produce of the phaseout percentage (based on the number of qualifying children) multiplied by the excess, if any, of the taxpayer's modified adjusted gross income or earned income, whichever is greater, over the threshold phaseout amount (Table 4).

## Social Security and Supplemental Security Income Amounts

Social Security benefits payable December 31, 1997 will increase 2.1—the increase in CPI-W from the third quarter of 1996 to the third quarter of 1997.

*continued on page 4, column 1*

TABLE 1

IRC Limit	1998	1997	1996	1995	1994
401(k) plan elective deferral limit	\$10,000	\$9,500	\$9,500	\$9,240	\$9,240
403(b) plan elective deferral limit	10,000	9,500	9,500	9,500	9,500
Eligible 457 plan deferral limit	8,000	7,500	7,500	7,500	7,500
SIMPLE plan elective deferral limit	6,000	6,000	N/A	N/A	N/A
415 defined benefit maximum annuity	130,000	125,000	120,000	120,000	118,800
415 special limit for police & firefighters	130,000	125,000	66,000	66,000	66,000
415 defined contribution maximum annual addition	30,000	30,000	30,000	30,000	30,000
401(a)(17) and 408(k)(3)(C) compensation limit	160,000	160,000	150,000	150,000	150,000
414(q)(1)(B) highly compensated employee	80,000	80,000	100,000	100,000	99,000
414(q)(1)(C) top paid group	80,000	80,000	66,000	66,000	66,000
408(k)(2)(C) SEP minimum compensation	400	400	400	400	396
4980A(c)(1) excess distribution threshold	N/A	N/A	155,000	150,000	150,000
409(o)(1)(c) tax-credit ESOP distribution period:					
5-year max. balance	725,000	710,000	690,000	670,000	660,000
1-year extension	145,000	140,000	135,000	132,000	132,000

**Summary of 1998 IRC ...**  
*continued from page 3*

The 1997 taxable wage base, determined from the change in deemed average annual wages from 1995 to 1996, will increase 4.6% (Table 5).

The average monthly Social Security benefits before and after the December 1997 COLA are shown in Table 6.

**Covered Compensation**

Covered compensation determines permitted and imputed disparity limits for qualified retirement plans. In lieu of using the actual covered compensation amount, qualified plans may determine permitted or imputed disparity using a rounded covered compensation table published annually by IRS. The 1998 table, published in Revenue Ruling 97-45, is rounded to the nearest \$3,000, but not more than the 1998 OASDI taxable wage base of \$68,400 (Table 7).

Covered compensation does not change after Social Security normal retirement age. Table 8 shows historical covered compensation amounts for years of birth 1906 through 1932; Social Security normal retirement age is 65 for these years of birth.

**Medicare Premiums and Deductibles**

Medicare premiums, coinsurance, and deductible amounts have changed little since 1997 (Table 9).

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**TABLE 2**

Item and Filing Status	Estimated 1998	1997
Personal Exemption	\$2,700	\$2,650
Standard Deduction		
Single	4,250	4,250
Head of Household	6,250	6,050
Married, Filing Jointly	7,100	6,900
Married, Filing Separately	3,550	3,450
Additional Standard Deduction (for elderly or blind)		
Unmarried	1,050	1,000
Married	850	800
"Kiddie" Deduction	700	650
Breakpoint between 15% and 28% Rates		
Single	25,350	24,650
Head of Household	33,950	33,050
Married, Filing Jointly	42,350	41,200
Married, Filing Separately	21,175	20,600
Breakpoint between 28% and 31% Rates		
Single	61,400	59,750
Head of Household	87,700	85,350
Married, Filing Jointly	102,300	99,600
Married, Filing Separately	51,150	49,800
Breakpoint between 31% and 36% Rates		
Single	128,100	124,650
Head of Household	142,000	138,200
Married, Filing Jointly	155,950	151,750
Married, Filing Separately	77,975	75,875
Breakpoint between 36% and 39.6% Rates		
Single	278,450	271,050
Head of Household	278,450	271,050
Married, Filing Jointly	278,450	271,050
Married, Filing Separately	139,225	135,525

**TABLE 3**

Filing Status	Phaseout Begins at	Phaseout Completed after
Unmarried	\$124,500	\$247,000
Head of Household	155,650	278,150
Married, Filing Jointly	186,800	309,300
Married, Filing Separately	93,400	154,650

TABLE 4

	Estimated 1998	1997
EIC Maximum Credit Amount		
No qualifying children	\$ 341	\$ 332
One qualifying child	2,271	2,210
Two or more qualifying children	3,756	3,656
EIC Threshold Phaseout Amount (and percentage)		
No qualifying children (7.65%)	5,570	5,430
One qualifying child (15.98%)	12,260	11,930
Two or more qualifying children (21.06%)	12,260	11,930

TABLE 5

	1998	1997
Cost-of-living increase	2.1%	2.9%
Average annual wage (2nd preceding year)	\$25,913.90	\$24,705.66
Contribution and benefit bases (Wage base):		
OASDI	68,400	65,400
HI	No limit	No limit
"Old law" contribution and benefit base	50,700	48,600
Retirement earnings test exempt amount (Annual):		
Under age 65	9,120	8,640
Ages 65 through 69	14,500	13,500
Wages needed for a quarter of coverage	700	670
Maximum monthly social security benefit worker retiring in January at age 65	1,342	1,326
Bend-points: PIA formula applied to average indexed monthly earnings (AIME)		
90% of AIME up to	477	455
32% of AIME over first bend-point up to	2,875	2,741
15% of AIME over second bend-point		
Bend-points: Maximum family benefit formula applied to worker's PIA		
150% of PIA up to	609	581
272% of PIA over first bend-point up to	880	839
134% of PIA over second bend-point up to	1,147	1,094
175% of PIA over third bend-point		
SSI federal payment standard (monthly)		
Individual	494	484
Couple	741	726
SSI resources limit		
Individual	2,000	2,000
Couple	3,000	3,000
FICA tax rates		
OASDI employer and employee	6.20%	6.20%
HI employer and employee	1.45%	1.45%
OASDI self-employed	12.40%	12.40%
HI self-employed	2.90%	2.90%
Maximum employee payroll tax		
OASDI	\$4,240.80	\$4,054.80
HI	No limit	No limit
Total	No limit	No limit

TABLE 6

	After 12/97 2.1% COLA	Before 12/97 2.1% COLA
Average Monthly Social Security Benefit		
All retired workers	\$ 765	\$ 749
Aged couple, both receiving benefits	1,288	1,261
Widowed mother and two children	1,522	1,491
Aged widow(er)	731	716
Disabled worker, spouse, and children	1,198	1,173
All disabled workers	722	707

TABLE 7

Calendar Year of Birth	Social Security Retirement Age	Calendar Year of SS Retirement Age	Covered Compensation		Rounded Covered Compensation	
			1998	1997	1998	1997
1933	65	1998	\$31,128	\$31,032	\$30,000	\$30,000
1934	65	1999	32,940	32,772	33,000	33,000
1935	65	2000	34,752	34,500	36,000	36,000
1936	65	2001	36,528	36,180	36,000	36,000
1937	65	2002	38,292	37,860	39,000	39,000
1938	66	2004	41,748	41,148	42,000	42,000
1939	66	2005	43,488	42,792	42,000	42,000
1940	66	2006	45,216	44,448	45,000	45,000
1941	66	2007	46,908	46,056	48,000	45,000
1942	66	2008	48,552	47,616	48,000	48,000
1943	66	2009	50,136	49,104	51,000	48,000
1944	66	2010	51,684	50,568	51,000	51,000
1945	66	2011	53,208	52,008	54,000	51,000
1946	66	2012	54,684	53,400	54,000	54,000
1947	66	2013	56,136	54,768	57,000	54,000
1948	66	2014	57,432	55,980	57,000	57,000
1949	66	2015	58,644	57,108	60,000	57,000
1950	66	2016	59,760	58,128	60,000	57,000
1951	66	2017	60,780	59,064	60,000	60,000
1952	66	2018	61,716	59,916	63,000	60,000
1953	66	2019	62,592	60,708	63,000	60,000
1954	66	2020	63,420	61,440	63,000	60,000
1955	67	2022	64,872	62,724	66,000	63,000
1956	67	2023	65,544	63,312	66,000	63,000
1957	67	2024	66,120	63,804	66,000	63,000
1958	67	2025	66,612	64,212	66,000	65,400
1959	67	2026	67,044	64,560	66,000	65,400
1960	67	2027	67,404	64,836	68,400	65,400
1961	67	2028	67,716	65,064	68,400	65,400
1962	67	2029	67,944	65,196	68,400	65,400
1963	67	2030	68,148	65,316	68,400	65,400
1964	67	2031	68,304	65,400	68,400	65,400
1965 or later	67	2032	68,400	65,400	68,400	65,400

TABLE 8

Calendar Year of Birth	Covered Compensation	Calendar Year of Birth	Covered Compensation
1906	\$4,320	1920	\$12,276
1907	4,488	1921	13,368
1908	4,704	1922	14,520
1909	5,004	1923	15,708
1910	5,316	1924	16,968
1911	5,664	1925	18,312
1912	6,060	1926	19,728
1913	6,480	1927	21,192
1914	7,044	1928	22,716
1915	7,692	1929	24,312
1916	8,460	1930	25,920
1917	9,300	1931	27,576
1918	10,236	1932	29,304
1919	11,232		

TABLE 9

	1998	1997
<b>Part A—Hospital Insurance</b>		
Inpatient hospital deductible	\$764.00	\$760.00
Coinsurance:		
• Daily coinsurance payment for 61–90 days of inpatient hospital care	191.00	190.00
• Coinsurance for up to 60 lifetime reserve days	382.00	380.00
• Daily coinsurance payment for 21–100 days in a skilled nursing facility following a hospital stay of at least three days	95.50	95.00
<b>Part B—Medical Insurance</b>		
Annual deductible	100.00	100.00
Monthly premium	43.80	43.80

## 1998 Enrolled Actuaries Meeting

March 22–25, 1998  
Washington, D.C.

The American Academy of Actuaries and the Conference of Consulting Actuaries will host the 23rd annual Enrolled Actuaries Meeting, March 22–25, 1998 at the Sheraton Washington Hotel in Washington, D.C.

The EA Meeting continues to be a popular choice for Enrolled Actuaries and other pension professionals looking to satisfy their continuing professional education (CPE) requirements. This meeting intends to remain a premier

meeting for EAs by continually reviewing and updating the sessions and offering topical and timely information. This year the meeting will feature 78 sessions, including new sessions on topics such as the Taxpayer Relief Act of 1997 and the future of Social Security.

The EA Meeting Committee is confident the sessions offered will keep you up-to-date as a pension professional.

This is the third year of the educational cycle for Enrolled Actuaries. Attending the EA Meeting enables EAs to satisfy a good portion of the CPE

requirements. Registration brochures were sent in late November to all attendees of any of the last three years' EA Meetings. If you did not receive these registration materials, contact the Conference of Consulting Actuaries, 1110 West Lake Cook Rd., Suite 235, Buffalo Grove, Illinois, 60089 or fax them at (847) 419-9091.

Please start planning to attend now! Also, be sure to note in the brochure the extra incentives for early registration.