We all know the federal income tax laws are too complicated and need to be simplified. It would also help if the IRS (*and sometimes CWF*) would do a better job of explaining these tax laws.

Below is an IRS table or chart comparing various contribution rules for SEPs, SIMPLEs, 401(k) and non-401(k) qualified plans and defined benefit pension plans. This chart comes from the introductory section of Publication *560 (Retirement Plans for Small Business*). Note that there is no explanation near the chart that the $51,000 is increased to be $56,500 if an individual is age 50 or older and is a participant of a 401(k) plan.

Why is the maximum limit for 2013 increased to $56,500 for 401(k) participants age 50 or older?

The term catch-up contribution is now quite common with respect to IRA and pension contributions. IRA accountholders who age 50 or older can make an additional catch-up contribution of $1,000. An HSA owner age 55 or older can make a catch-up contribution of $1,000. A 401(k) participant age 50 or older is allowed to make an additional elective deferral contribution of$5,500.

A tax law enacted in 2001, Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) authorized an individual age 50 or older to make additional elective deferral contributions each year, up to a certain limit if the plan was written to authorize such additional elective deferral contributions. Such contributions are now called catch-up contributions and these catch-up contributions are NOT subject to various limits that apply to the individual and the employer. For example, the maximum amount that an employer can contribute on behalf of a participant is $51,000 for 2013. The catch-up amount of $5,500 does not count against this limit; the $5,500 is in addition to this limit. And any catch-up elective deferral contributions are not subject to the ADP/ACP non-discrimination tests.

Note that this additional $5,500 applies only to 401(k) plans, it does not apply to SEP plans and profit sharing plans with no 401(k) feature.

Table 1. Key Retirement Plan Rules for 2013

Type of Plan	Last Date for Contribution	Maximum Contribution	Maximum Deduction	When To Set Up Plan
SEP	Due date of employer's return (including extensions).	Smaller of $51,000 or 25%[1] of participant's compensation.[2]	25%[1] of all participants' compensation.[2]	Any time up to the due date of employer's return (including extensions).
SIMPLE IRA and SIMPLE 401(k)	**Salary reduction contributions:** 30 days after the end of the month for which the contributions are to be made.[4] **Matching or nonelective contributions:** Due date of employer's return (including extensions).	**Employee contribution:** Salary reduction contribution up to $12,000, $14,500 if age 50 or over. **Employer contribution:** *Either* dollar-for-dollar matching contributions, up to 3% of employee's compensation,[3] *or* fixed nonelective contributions of 2% of compensation.[2]	Same as maximum contribution.	Any time between 1/1 and 10/1 of the calendar year. For a new employer coming into existence after 10/1, as soon as administratively feasible.
Qualified Plan: Defined Contribution Plan	**Elective deferral:** Due date of employer's return (including extensions).[4] **Employer contribution:** Money Purchase or Profit-Sharing: Due date of employer's return (including extensions).	**Employee contribution:** Elective deferral up to $17,500, $23,000 if age 50 or over. **Employer contribution:** Money Purchase: Smaller of $51,000 or 100%[1] of participant's compensation.[2] Profit-Sharing: Smaller of $51,000 or 100%[1] of participant's compensation.[2]	25%[1] of all participants' compensation[2], plus amount of elective deferrals made.	By the end of the tax year.
Qualified Plan: Defined Benefit Plan	Contributions generally must be paid in quarterly installments, due 15 days after the end of each quarter. See *Minimum Funding Requirement* in chapter 4.	Amount needed to provide an annual benefit no larger than the smaller of $205,000 or 100% of the participant's average compensation for his or her highest 3 consecutive calendar years.	Based on actuarial assumptions and computations.	By the end of the tax year.

[1] Net earnings from self-employment must take the contribution into account. See Deduction Limit for Self-Employed Individuals in chapters 2 and 4 .

[2] Compensation is generally limited to $255,000 in 2013.

[3] Under a SIMPLE 401(k) plan, compensation is generally limited to $255,000 in 2013.

[4] Certain plans subject to Department of Labor rules may have an earlier due date for salary reduction contributions and elective deferrals.