

TSP Contribution Limits to Rise in 2015

October 23, 2014

By: Ian Smith

The IRS announced today that the contribution limits for tax advantaged retirement plans such as the Thrift Savings Plan will be increasing in 2015.

The annual contribution limit in the TSP will go from \$17,500 per year to \$18,000 next year. The catch up contribution limit will go from \$5,500 to \$6,000.

The IRS said that many of the pension plan limitations will change for 2015 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, other limitations will remain unchanged because the increase in the index did not meet the statutory thresholds that trigger their adjustment.

Other highlights announced by the IRS with respect to retirement savings plans include:

- The limit on annual contributions to an Individual Retirement Arrangement (IRA) remains unchanged at \$5,500. 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.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (AGI) between \$61,000 and \$71,000, up from \$60,000 and \$70,000 in 2014. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is \$98,000 to \$118,000, up from \$96,000 to \$116,000. 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 \$183,000 and \$193,000, up from \$181,000 and \$191,000. 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 AGI phase-out range for taxpayers making contributions to a Roth IRA is \$183,000 to \$193,000 for married couples filing jointly, up from \$181,000 to \$191,000 in 2014. For singles and heads of household, the income phase-out range is \$116,000 to \$131,000,

up from \$114,000 to \$129,000. For a married individual filing a separate return, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

- The AGI limit for the saver's credit (also known as the retirement savings contribution credit) for low- and moderate-income workers is \$61,000 for married couples filing jointly, up from \$60,000 in 2014; \$45,750 for heads of household, up from \$45,000; and \$30,500 for married individuals filing separately and for singles, up from \$30,000.

The Thrift Savings Plan is an important tool used by federal employees to save for retirement from their federal careers. It allows savings to occur on either a pre-tax basis in which money is invested in the plan and then is taxed upon withdrawal in retirement, or on an after tax basis in the Roth TSP in which money goes in after taxes are withheld but then withdrawals in retirement are made tax free. For employees making each type of investment, the contribution limits announced by the IRS apply to the combined total of both.