



TaxNewsFlash

United States

No. 2017-503
November 13, 2017

Rev. Rul. 2017-22: Covered compensation tables for 2018 plan year

The IRS today released an advance version of Rev. Rul. 2017-22 to provide the “covered compensation” tables for determining the permitted disparity in employer-provided contributions or benefits for the 2018 plan year.

[Rev. Rul. 2017-22](#) [PDF 40 KB] provides that for determining covered compensation for the 2018 year, the taxable wage base is \$128,700.

Background

“Permitted disparity” allows an employer to provide an additional benefit (either contribution or accrual) for employees whose compensation is above a certain limit, which is often the social security wage base. A qualified plan may be integrated with the social security limit to provide a more uniform benefit when taking into account that social security provides a benefit targeted at lower paid employees. “Permitted disparity” limits the differences that can be provided between lower and higher paid employees.

“Covered compensation” for an employee is defined by Reg. section 1.401(l)-1(c)(7) as the average of the taxable wage bases in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the employee attains social security retirement age. For purposes of determining the amount of an employee's covered compensation, a plan may use IRS-provided tables that are developed by rounding the actual amounts of covered compensation for different years of birth.

Rev. Rul. 2017-22

Today's revenue ruling includes two tables to be used in determining benefits for defined benefit plans that use "permitted disparity" in employer-provided contributions or benefits (as allowed under section 401(l))—

- An actual table
- A rounded table that aggregates different years of birth

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