

TaxNewsFlash

United States

No. 2018-013
January 9, 2018

Rev. Rul. 2018-04: Revised covered compensation tables for 2018 plan year

The IRS today released an advance version of Rev. Rul. 2018-04 that revises the "covered compensation" tables for determining the permitted disparity in employer-provided contributions or benefits for the 2018 plan year.

[**Rev. Rul. 2018-04**](#) [PDF 41 KB] reflects a revision to the taxable wage base for 2018 that was announced by the Social Security Administration on November 27, 2017, and apply in lieu of the tables that were provided in Rev. Rul. 2017-22.

Today's revenue ruling provides that for purposes of determining covered compensation for the 2018 year, the taxable wage base is \$128,400 (down from \$128,700 as first provided by Rev. Rul. 2017-22 in November 2017).

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. 2018-04

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

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)