



TaxNewsFlash

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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

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