

403(B)/457(B) Contributions

403(b) Plans – HCM will automatically report contributions deducted under SD403B and 403BER in Box 12 Code E on the W-2. The elective deferral contribution limit for 2021 is \$19,500. You will not be required to do anything extra for 403(b) W-2 reporting provided the employee contributions do not exceed the annual limit.

Employees age 50 or over at the end of the calendar year may elect to defer up to \$6,500 as catch-up contributions in 2021.

The annual limit on the combination of all employer contributions and employee elective deferrals to all 403(b) accounts is the lesser of:

- \$58,000 for 2021, up from \$57,000 for 2020
- 100% of includible compensation for the employee's most recent year of service.

457(b) plan - HCM will automatically report contributions deducted under SD457 in Box 12 Code G on the W-2. The annual contributions to a participant's account cannot exceed the lesser of:

1. 100% of the participant's includible compensation, or
2. the elective deferral limit \$19,500 in 2021

Increases to the general annual contribution limit:

- 457(b) plans of state and local governments may allow catch-up contributions up to \$6,500 for participants who are aged 50 or older.
- Special 457(b) catch-up contributions, if permitted by the plan, allow a participant for 3 years prior to the normal retirement age (as specified in the plan) to contribute the lesser of:
 - Twice the annual limit \$39,000 in 2021 or
 - The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions)

Retirement Plan Comparison:

	403(b)	457
Who is eligible?	Employees of nonprofits such as public schools and some hospitals, charitable organizations	State and local government employees
Pre-tax contributions?	Yes	Yes
Limits on employee contributions (2019)	Up to \$19,500	Up to \$19,500
Age 50+ catch-up contributions	\$6,500	\$6,500
Other catch-up	Yes – 15-year rule*	Yes – final 3-year provision**
Distributions while still employed (in-service distributions)	Only on hardship if under age 59½	Only on account of unforeseeable emergency
Distributions without tax penalties	Retirement after age 55 Death or disability Payments after age 59½ Lifetime annuity or installments Rollover to other qualified plan or IRA	Termination from employment at any age Death or disability Unforeseeable emergency
Distributions with penalties	10% prior to age 59½, except as above	None
Required minimum distributions	April 1 following the year participant reaches age 70½	April 1 following the year participant reaches age 70½
Tax treatment of distributions	Ordinary income tax	Ordinary income tax
Rollovers allowed to other plans	Yes – to 401(k), 403(b) or 457 plan (allowed but not required)	Yes – to 401(k), 403(b) or 457 plan (allowed but not required)

Yes – to IRA

Yes – to IRA

* Eligible employees with 15 or more years of full-time service may be able to contribute up to \$3,000 more for five years, or a maximum of \$15,000.

** May be eligible to defer up to two times the **contribution** limit in effect for the final three years of service. Employees cannot participate in the 3-year catch-up and the 457 plan age 50+ catch-up during the same tax year.

Helpful Links:

[IRS Publication 571](#)

[IRS Topic 403b Contribution Limits](#)

[IRS 403b Plan Home](#)

[Deferral Limits for Multiple Retirement Plans](#)

[IRS Topic 457b Contribution Limits](#)

[IRS Publication 4484](#)

[IRS Topic Catch Up Limits](#)