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New Benefit Limits for 2009

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The Internal Revenue Service has announced the cost-of-living adjustments applicable to dollar limitations for retirement plans for 2009. They are as follows:

- The limitation used in the definition of “highly compensated employee” changes from \$105,000 to \$110,000.
- The annual addition limitation for defined contribution plans is increased substantially from \$46,000 to \$49,000. For defined benefit plans, the limitation on the annual benefit amount is increased from \$185,000 to \$195,000.
- The annual compensation limit on maximum compensation that may be considered is increased from \$230,000 to \$245,000. The dollar limitation for a “key employee” in a top-heavy plan is increased from \$150,000 to \$160,000.
- For employee stock ownership plans, the dollar amount for determining the maximum account balance subject to a 5-year distribution period is increased from \$935,000 to \$985,000, while the dollar amount used to determine the lengthening of the 5-year distribution period changes from \$185,000 to \$190,000.
- The annual compensation limitation for eligible participants in certain governmental plans that allowed cost-of-living adjustments to the compensation limitation under the plan to be taken into account is increased from \$345,000 to \$360,000.
- The limitation on the exclusion for elective deferrals, which applies to 401(k) plans and 403(b) annuities, increases from \$15,500 to \$16,500. The limitation on deferrals under Code Section 457 deferred compensation plans of state and local governments and tax-exempt organizations also increases to \$16,500.
- The limitation for catch-up contributions to an applicable employer plan for individuals aged 50 or over changes from \$5,000 to \$5,500 (but \$2,500 remains for SIMPLE arrangements).
- The contribution limitation for SIMPLE arrangements changes from \$10,500 to \$11,500, and the compensation amount requirement for Simplified Employee Pensions (SEPs) changes from \$500 to \$550.

As a related matter, there are also increases in several pension-related amounts such as the adjusted gross income limitations for determining certain contributions. Also, the taxable wage base for computing the

Social Security tax (OASDI) in 2009 is projected to rise to \$106,800 from \$102,000.

If you have any questions regarding the changes in the benefit limits for 2009, please contact one of the [Employee Benefits and Executive Compensation](#) attorneys at Boulton, Cummings, Conners & Berry PLC:

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