



## Benefit Limits for 2010

By David Joffe

The Internal Revenue Service has announced the cost-of-living adjustments applicable to dollar limitations for retirement plans and other items for 2010. Almost all of the limits remain unchanged from 2009 because the cost-of-living index declined, and the key limits for retirement plans all remain unchanged as follows:

- The limitation on the exclusion for elective deferrals, which applies to 401(k) plans and 403(b) annuities, remains unchanged at \$16,500. The limitation on deferrals under Code Section 457 deferred compensation plans of state and local governments and tax-exempt organizations also continues to be \$16,500.
- The limitation used in the definition of “highly compensated employee” continues to be \$110,000.
- The annual addition limitation for defined contribution plans remains at \$49,000. For defined benefit plans, the limitation on the annual benefit amount continues to be \$195,000.
- The annual compensation limit on maximum compensation that may be considered stays at \$245,000. The dollar limitation for a “key employee” in a top-heavy plan also stays at \$160,000.
- For employee stock ownership plans, the dollar amount for determining the maximum account balance subject to a 5-year distribution period remains at \$985,000; the dollar amount used to determine the lengthening of the 5-year distribution period remains at \$190,000.
- The annual compensation limitation for eligible participants in certain governmental plans that allow cost-of-living adjustments to the compensation limitation under the plan to be taken into account remains at \$360,000.
- The limitation for catch-up contributions to an applicable employer plan for individuals aged 50 or over continues to be \$5,500 (\$2,500 remains for SIMPLE arrangements).
- The contribution limitation for SIMPLE arrangements continues to be \$11,500, and the compensation amount requirement for Simplified Employee Pensions (SEPs) does not change from the current \$550.

Also, the taxable wage base for computing the Social Security tax (OASDI) in 2010 continues to be \$106,800.

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