



A Law Firm in the People Business

2009 COST-OF-LIVING INCREASES

IRS Announcement. The IRS has announced the 2009 cost-of-living adjustments for various retirement plan dollar limits. The 2009 limits are as follows:

<u>Limit</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Section 402(g) limit for 401(k) pre-tax contributions	\$15,500	\$15,500	\$16,500
Section 414(v) catch-up contribution limit	\$5,000	\$5,000	\$5,500
Section 401(a)(17) limit on annual compensation recognizable for retirement plan purposes	\$225,000	\$230,000	\$245,000
Annual pre-tax contribution rate for participants at the compensation limit to reach the Section 402(g) contribution limit	6.89%	6.74%	6.73%
Section 415 limit on annual additions to a defined contribution plan	\$45,000	\$46,000	\$49,000
Section 415 limit on annual benefits under a defined benefit plan	\$180,000	\$185,000	\$195,000
Compensation threshold for defining "Highly Compensated Employees"	\$100,000 (in 2006)	\$100,000 (in 2007)	\$105,000 ¹ (in 2008)
Compensation threshold for officers to be "Key Employees" ²	\$145,000	\$150,000	\$160,000
Social Security (OASDI) Wage Base	\$97,500	\$102,000	\$106,800

¹ An employee with compensation exceeding \$110,000 in 2009 will be an HCE in 2010.

² 5% owners and 1% owners with compensation exceeding \$150,000 are also key employees.

Section 409A Deadline Looms No Extensions Anticipated

The final deadline for amending all deferred compensation plans to comply with Code Section 409A is **December 31, 2008**. All deferred compensation plans must be reviewed, and in most cases, updated by that date.

Code Section 409A is a very broad statute, and it impacts many arrangements that are not traditionally considered "deferred compensation." Therefore, it is important to review all compensation arrangements well before the **December 31 deadline**.

To get started on reviewing and updating your Code Section 409A arrangements, please call any of the following attorneys:

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