

AMERICAN PAYROLL ASSOCIATION

Compliance Update

IRS Announces Pension Plan COLAs for Tax Year 2009

The IRS has announced the cost-of-living adjustments (COLAs) applicable to dollar limits on benefits and contributions under qualified retirement plans, as well as other items, for tax year 2009 [IR-2008-118, 10-16-08].

- The limitation on the exclusion for elective deferrals under §402(g)(1) (e.g., §401(k) and §403(b) plans) is increased from \$15,500 to \$16,500.
- The limit on annual additions to defined contribution plans under §415(c)(1)(A) is increased from \$46,000 to \$49,000.
- For limitation years ending after December 31, 2008, the limit on the annual benefit under a defined benefit plan contained in §415(b)(1)(A) is increased from \$185,000 to \$195,000.
- The annual compensation limit under §401(a)(17) and §404(l) is increased from \$230,000 to \$245,000.
- The compensation amount under §408(p)(2)(E) regarding elective deferrals to SIMPLE retirement accounts is increased from \$10,500 to \$11,500.
- The limitation under §457(e)(15) concerning elective deferrals to deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$15,500 to \$16,500.
- The limitation under §416(i)(1)(A)(i) concerning the definition of "key employee" in a top-heavy plan is increased from \$150,000 to \$160,000.
- The limitation under §414(v)(2)(B)(i) for catch-up contributions to §§401(k), 403(b), and 457 plans for individuals age 50 or over is increased from \$5,000 to \$5,500; the limitation under §414(v)(2)(B)(ii) for catch-up contributions to an employer's SIMPLE plan for individuals age 50 or over remains unchanged at \$2,500.
- The limitation used in the definition of "highly compensated employee" under §414(q)(1)(B) is increased from \$105,000 to \$110,000.
- The compensation amount under §408(k)(2)(C) regarding simplified employee pensions (SEPs) is increased from \$500 to \$550.
- The compensation amount under federal regulation §1.61-21(f)(5)(i), concerning the definition of "control employee" for fringe benefit purposes, is increased from \$90,000 to \$95,000. The compensation amount under §1.61-21(f)(5)(iii) is increased from \$185,000 to \$195,000.

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