



The Cottonwood Group

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IRS ANNOUNCES BENEFIT LIMITS FOR 2010

Several limits in the Tax Code apply to retirement plans such as 401(k), 403(b) and pension plans. These limits affect the amount an employer may contribute to the plan on behalf of an employee, the amount the employee may contribute on his or her own behalf, the maximum amount of benefits that can be earned and the amount of compensation the plan may take into account in regard to benefit accruals and contributions allocations.

The IRS annually issues an update regarding these limits. Here are the limits that applied in 2009, and the recently released revised limits for 2010:

	2009 Limit	2010 Limit
Pre-tax employee contributions to 401(k), 403(b), and 457(b) plans <i>(without regard to any special "catch-up" rules)</i>	\$16,500	\$16,500
Maximum contribution to SIMPLE retirement accounts <i>(without regard to any special "catch-up" rules)</i>	\$11,500	\$11,500
Catch-up contributions ¹ to... 401(k), 403(b) and 457(b) plans SIMPLE retirement accounts	\$5,500 \$2,500	\$5,500 \$2,500
¹ Alternative special catch-up rules may apply to 457(b) plans in some cases		
Maximum annual contribution to defined contribution plans (401(k), profit sharing, "money purchase" pension, etc.)	\$49,000	\$49,000
Maximum annual benefit from defined benefit pension plans	\$195,000	\$195,000
Maximum annual compensation taken into account	\$245,000	\$245,000
Compensation threshold for determining "highly compensated employees" ² ² For determinations made in 2010, based on 2009 pay	\$110,000	\$110,000
Dollar limit for determining whether officers are "key employees" for top-heavy purposes	\$160,000	\$160,000
Social Security Taxable Wage Base	\$106,800	\$106,800

Special Notice