

MOST RETIREMENT PLAN LIMITS INCREASE FOR 2008

The IRS has announced the 2008 cost-of-living adjustments (COLAs) for retirement plans. Many of the limits applicable to pension, and other retirement plans, increase for 2008. For most of the limitations, the increase in the cost-of-living index met the statutory thresholds which trigger their adjustment.

The following plan limits are increased for inflation effective January 1, 2008:

- **Defined benefit plans**

The limitation on the annual benefit under a defined benefit plan increases from \$180,000 to \$185,000. For participants who separated from service before January 1, 2008, the limitation for defined benefit plans under the Internal Revenue Code (Code) is computed by multiplying the participant's compensation limitation, as adjusted through 2007, by 1.0236.

- **Defined contribution plans**

The limit on the annual additions to a participant's defined contribution account increases from \$45,000 to \$46,000.

- **Annual compensation limit**

The maximum amount of annual compensation which can be taken into account for various qualified plan purposes increases from \$225,000 to \$230,000.

- **Key employee in top-heavy plan**

The dollar limit under the Code relating to the definition of key employee in a top-heavy plan increases from \$145,000 to \$150,000.

- **ESOP five-year distribution period**

The dollar amount under the Code for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a five-year distribution period increases from \$915,000 to \$935,000, while the dollar amount used to determine the lengthening of the five-year distribution period increases from \$180,000 to \$185,000.

- **Government plans**

The annual compensation limitation under the Code for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed COLAs to the plan's compensation limit under the Code to be taken into account, increases from \$335,000 to \$345,000.

- **Highly compensated employee**

The dollar limit used in defining a highly compensated employee increases from \$100,000 to \$105,000.

The following dollar limits are unchanged:

- **Elective deferrals**

The Code limit on the exclusion for elective deferrals described remains unchanged at \$15,500.

- **SEPs**

The compensation limit under the Code (amount of compensation above which an employee who meets other requirements must be able to participate in the employer's SEP plan) remains unchanged at \$500.

- **Deferred compensation plans**

The limit on deferrals under the Code concerning deferred compensation plans of state and local governments and tax-exempt organizations, remains unchanged at \$15,500.

- **SIMPLE accounts**

The maximum amount of compensation an employee may elect to defer under the Code for a SIMPLE plan remains unchanged at \$10,500.

- **Catch-up contributions**

The dollar limit under the Code for catch-up contributions to an applicable employer plan for individuals aged 50 or over remains unchanged.

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