

## **MOST RETIREMENT PLAN DOLLAR LIMITS INCREASE FOR 2009**

IRS has announced the 2009 cost-of-living adjustments (COLAs) for retirement plans. All but one of the many limits applicable to pension, and other retirement plans, increase for 2009. For these increased limitations, the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment.

The following plan limits are increased for inflation effective January 1, 2009:

- **Defined benefit plans.**

The limitation on the annual benefit under a defined benefit plan increases from \$185,000 to \$195,000. For participants who separated from service before January 1, 2009, the 100% of average high-three-years' compensation is computed by multiplying the participant's compensation limitation, as adjusted through 2008, by 1.0530.

- **Defined contribution plans.**

The limit on the annual additions to a participant's defined contribution account increases from \$46,000 to \$49,000.

- **Annual compensation limit.**

The maximum amount of annual compensation that can be taken into account for various qualified plan purposes increases from \$230,000 to \$245,000.

- **Elective deferrals.**

The limit on the exclusion for elective deferrals is increased from \$15,500 to \$16,500.

- **Deferred compensation plans.**

The limit on deferrals for deferred compensation plans of state and local governments and tax-exempt organizations, is increased from \$15,500 to \$16,500.

- **SEP's.**

The compensation above which an employee who meets other requirements must be able to participate in the employer's SEP plan is increased from \$500 to \$550.

- **SIMPLE Accounts.**

The maximum amount of compensation an employee may elect to defer for a SIMPLE plan is increased from \$10,500 to \$11,500.

- **Catch-up contributions.**

The dollar limit for catch-up contributions to most employer plans for individuals aged 50 or over is increased from \$5,000 to \$5,500.

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

The dollar limit relating to the definition of key employee in a top-heavy plan increases from \$150,000 to \$160,000.

- **ESOP five-year distribution period.**

The dollar amount for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a five-year distribution period increases from \$935,000 to \$985,000, while the dollar amount used to determine the lengthening of the five-year distribution period increases from \$185,000 to \$195,000.

- **Highly compensated employee.**

The dollar limit used in defining a highly compensated employee increases from \$105,000 to \$110,000.

- **Government plans.**

The annual compensation limitation for eligible participants in certain governmental plans which, under the plan as in effect on July 1, 1993, allowed COLAs to the plan's compensation limit, increases from \$345,000 to \$360,000.

- **Control employee.**

The employee compensation amounts used in the definition of "control employee" for purposes of the auto commuting rule is increased from \$90,000 to \$95,000; and the compensation amount increases from \$185,000 to \$195,000.

- **Traditional IRA income limits.**

For taxpayers filing joint returns, the otherwise allowable deductible contribution to a traditional IRA will be phased out ratably in 2009 for modified adjusted gross income (MAGI) between \$89,000 and \$109,000 (up from between \$85,000 and \$105,000 in 2008).

For 2009, for single taxpayers and heads of household, the otherwise allowable deductible contribution to a traditional IRA will be phased out ratably for MAGI between \$55,000 and \$65,000 (up from between \$53,000 and \$63,000 in 2008).

For married taxpayers filing separate returns, the otherwise allowable deductible contribution will continue to be phased out ratably for MAGI between \$0 and \$10,000 (same as for 2008).

For a married taxpayer who is not an active plan participant but whose spouse is such a participant, the otherwise allowable deductible contribution to a traditional IRA will be phased out ratably for MAGI between \$166,000 and \$176,000 (up from between

\$159,000 and \$169,000 in 2008).

■ **Roth IRA income limits.**

For taxpayers filing joint returns, the otherwise allowable contributions to a Roth IRA will be phased out ratably in 2009 for MAGI between \$166,000 and \$176,000 (up from between \$159,000 and \$169,000 in 2008). For single taxpayers and heads of household it will be phased out ratably for MAGI between \$105,000 and \$120,000 (up from between \$101,000 and \$116,000 in 2008). For married taxpayers filing separate returns, the otherwise allowable contribution will continue to be phased out ratably for MAGI between \$0 and \$10,000 (same as for 2008).

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