

## Employee Benefits E-news

October 23, 2008

### IRS Announces New Employee Benefits Limits for 2009

The Internal Revenue Service has recently announced cost-of-living adjustments applicable to dollar limitations for retirement plans (and other items) for 2009. Many of the retirement plan limitations will change for 2009 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment.

#### I. Retirement Plans

Some of the new annual limits for 2009 (and the current limits for 2008) are as follows:

	<b>2009</b>	2008
Elective Deferral Limit (for Code Section 401(k), 403(b), 457(b)(2), 457(c), and SARSEP plans) – excluding catch-up contributions	<b>\$ 16,500</b>	\$ 15,500
Elective Deferral Limit for SIMPLE plans	<b>\$ 11,500</b>	\$ 10,500
Catch-up Contribution Limit for Code Section 401(k), 403(b), 457(b) and SARSEP plans	<b>\$ 5,500</b>	\$ 5,000
Catch-up Contribution Limit for SIMPLE plans	<b>\$ 2,500</b>	\$ 2,500
Annual limitation for defined contribution plans under Code Section 415	<b>\$ 49,000</b>	\$ 46,000
Annual limitation for defined benefit plans under Code Section 415	<b>\$195,000</b>	\$185,000
Maximum compensation limit	<b>\$245,000</b>	\$230,000
Minimum dollar threshold to be considered highly compensated employee ("HCE") based on compensation	<b>\$110,000*</b>	\$105,000
Minimum dollar threshold for an officer of the employer to be considered a key employee for top heavy plans.	<b>\$160,000</b>	\$150,000
Maximum Social Security taxable earnings (OASDI only)	<b>\$106,800</b>	\$102,000
Maximum Medicare taxable earnings (HI only)	<b>No Limit</b>	No Limit
Minimum compensation amount to be eligible for coverage under SEP	<b>\$ 550</b>	\$ 500

\* The \$110,000 limit is used to determine who is a HCE in 2010; the \$105,000 limit for 2008 is used to determine who is a HCE for 2009.

## II. Health Savings Accounts (HSAs)

The new annual HSA (and High Deductible Health Plan (HDHP)) limits for 2009 (and the current limits for 2008) are as follows:

	2009	2008
HSA Contribution Limits:		
Self-only	<b>\$ 3,000</b>	\$ 2,900
Family	<b>\$ 5,950</b>	\$ 5,800
Catch-up (for individuals age 55 or older)	<b>\$ 1,000</b>	\$ 900
HDHP Minimum Deductible:		
Self-only	<b>\$ 1,150</b>	\$ 1,100
Family	<b>\$ 2,300</b>	\$ 2,200
HDHP Out-of-Pocket Expense Limit (Deductibles, co-payments and other amounts, but not premiums):		
Self-only	<b>\$ 5,800</b>	\$ 5,600
Family	<b>\$ 11,600</b>	\$ 11,200

## III. Qualified Transportation Fringe Benefits

The new monthly limits for 2009 (and the current limits for 2008) are:

	2009	2008
Commuter highway vehicle/transit pass	<b>\$ 120</b>	\$ 115
Qualified Parking	<b>\$ 230</b>	\$ 220

Plan documents (particularly retirement plan documents) often anticipate cost of living adjustments and do not have to be amended for these adjustments. Nevertheless, administrators of plans should review their documents to reconfirm the documents automatically incorporate the adjustments. If the documents do not contemplate the adjustments, plan documents will need to be amended to remain tax-compliant. Plan administrators should also communicate with their plan service providers (including payroll providers) to ensure the new limits will be used in plan operations beginning in 2009.

If you have questions regarding the new IRS limits or other employee benefits matters, please contact your regular Butzel Long attorney, a member of the Butzel Long Employee Benefits Practice Group, or the author of this e-mail news alert.

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