

Client Alert: Year 2004 Retirement Plan Cost of Living Adjustments

The Internal Revenue Service has announced the cost-of-living adjustments applicable to qualified retirement plans for the year 2004. The Social Security Administration recently announced its own cost-of-living adjustments for 2004. Finally, many of the qualified retirement plan limits have automatically increased pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001. The following is a chart comparing the commonly-used 2003 and 2004 year limits.

Type of Limit	2003	2004
IRC Section 401(a)(17) – Qualified Plans – Maximum Compensation Limit Per Person	\$200,000	\$205,000
IRC Section 402(g)(1) – 401(k) Plans – Maximum Elective Deferral Per Person Per Year	\$12,000	\$13,000
IRC Section 414(q)(1)(B) – Qualified Plans – Definition of Highly Compensated Employee	\$90,000	\$90,000
IRC Section 414(v) – 401(k) Plans – Maximum Catch-Up Contribution Per Person For Persons Age 50 and Over	\$2,000	\$3,000
IRC Section 415(b) – Defined Benefit Plans – Maximum Annual Benefit Payable Per Person	\$160,000	\$165,000
IRC Section 415(c) – Defined Contribution Plans – Maximum Annual Contribution Per Person	\$40,000	\$41,000
IRC Section 416(i)(1)(A)(i) – Qualified Plans – Dollar Limit Used In Definition of Officer Key Employee for Purposes of Top-Heavy Testing	\$130,000	\$130,000
Social Security Taxable Wage Base	\$87,000	\$87,900

For Additional Information

If you have any questions regarding these limits, please contact any of the following:

Edward P. Smith	(212) 408-5371	esmith@chadbourne.com
Marjorie M. Glover	(212) 408-1016	mglover@chadbourne.com
Sarah C. Richards	(212) 408-5426	srichards@chadbourne.com
Scott D. Segal	(212) 408-5109	ssegal@chadbourne.com
David Gallai	(212) 408-1033	dgallai@chadbourne.com

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Chadbourne & Parke LLP

New York
30 Rockefeller Plaza
New York, New York 10112
Telephone: (212) 408-5100
Facsimile: (212) 541-5369

Washington, D.C.
1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Telephone: (202) 974-5600
Facsimile: (202) 974-5602

Los Angeles
350 South Grand Avenue, Suite 3300
Los Angeles, CA 90071
Telephone: (213) 892-1000
Facsimile: (213) 622-9865

Houston
1100 Louisiana Street
Houston, TX 77002
Telephone: (713) 571-5900
Facsimile: (713) 571-5970

Moscow
Riverside Towers
52/5 Kosmodamianskaya Naberezhnaya
Moscow
Russian Federation 115054
Telephone: (7-095) 974-2424
Facsimile: (7-095) 974-2425

London
Chadbourne & Parke (a multinational partnership)
Regis House
45 King William Street
London EC4R 9AN
Telephone: (44-20) 7337-8000
Facsimile: (44-20) 7337-8001

Beijing
Suite C3, Plaza Business Centre
3rd Floor North Tower
Beijing Kerry Centre
1 Guang Hua Road
Chao Yang District
Beijing 100020, China
Telephone: (86-10) 8529-8892
Facsimile: (86-10) 8529-8866