

Client Alert

Year 2005 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 2005. The Social Security Administration recently announced its own cost-of-living adjustments for 2005. 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 2004 and 2005 year limits:

Type of Limit	2004	2005
IRC Section 401(a)(17) – Qualified Plans – Maximum Compensation Limit Per Person	\$205,000	\$210,000
IRC Section 402(g)(1) – 401(k) Plans – Maximum Elective Deferral Per Person Per Year	\$13,000	\$14,000
IRC Section 414(q)(1)(B) – Qualified Plans – Definition of Highly Compensated Employee	\$90,000	\$95,000
IRC Section 414(v) – 401(k) Plans – Maximum Catch-Up Contribution Per Person For Persons Age 50 and Over	\$3,000	\$4,000
IRC Section 415(b) – Defined Benefit Plans – Maximum Annual Benefit Payable Per Person	\$165,000	\$170,000
IRC Section 415(c) – Defined Contribution Plans – Maximum Annual Contribution Per Person	\$41,000	\$42,000
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	\$135,000
Social Security Taxable Wage Base	\$87,900	\$90,000

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For Additional Information

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