

The Internal Revenue Code provides dollar limitations on benefits and contributions of

qualified retirement plans. It also requires the IRS to adjust these limits for cost-of-living increases on an annual basis.



The IRS recently announced the pension plan limitation changes for 2007. Here are the new amounts:

Annual Qualified Plan Limits	2007	2006
Defined Contribution Plan Dollar limit on additions (<i>Section 415(c)(1)(A)</i>)	\$ 45,000	\$ 44,000
Defined Benefit Plan limit on benefits (<i>Section 415(b)(1)(A)</i>)	\$180,000	\$175,000
Maximum compensation used to determine contributions	\$225,000	\$220,000
401(k), SARSEP, 403(b) Plan Deferrals (<i>Section 402(g)</i>) & 457 Plan deferrals (<i>Section 457(b)(2)</i>)	\$15,500	\$15,000
401(k), 403(b), 457 & SARSEP additional "catch-up" contributions for employees age 50 and older	\$ 5,000	\$ 5,000
SIMPLE deferrals (<i>Section 408(p)(2)(A)</i>)	\$10,500	\$10,000
Simple additional "catch-up" contributions for employees age 50 and older	\$ 2,500	\$ 2,500
The dollar amount under <i>Section 409(o)(1)(C)(ii)</i> for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period, and the dollar amount used to determine the lengthening of the 5-year distribution period	\$915,000/ \$180,000	\$885,000/ \$175,000
Compensation defining highly compensated employee (<i>Section 414(q)(1)(B)</i>)	\$100,000	\$100,000
Compensation defining key employee (officer)	\$145,000	\$140,000
The compensation amounts under <i>Section 1.61-21(f)(5)(i)</i> of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes	\$ 90,000	\$ 85,000
Compensation triggering Simplified Employee Pension (SEP) contribution requirement (<i>Section 408(k)(2)(c)</i>)	\$ 500	\$ 450