



ROBINSON & COLE LLP

Employee Benefits & Compensation



Special Bulletin

IRS Releases 2005 Plan Limits

The IRS has issued the [2005 Cost-of-Living Adjustments](#) for retirement plans:

- The amount that employees can elect to defer under 401(k) plans, 403(b) annuities and SEPs is increased from \$13,000 to \$14,000 (this increase also applies to deferrals for deferred compensation plans of state and local governments and tax-exempt organizations).
- The amount that employees age 50 and over can elect to defer as a catch-up contribution is increased from \$3,000 to \$4,000.
- The cap on annual benefits under a defined benefit plan is increased from \$165,000 to \$170,000.
- The cap on annual additions to a defined contribution plan is increased from \$41,000 to \$42,000.
- The amount of annual compensation that can be taken into account in calculating plan contributions and benefits is increased from \$205,000 to \$210,000.
- The compensation amount for determining who is a highly compensated employee has increased from \$90,000 to \$95,000. Since the identification of an employer's highly compensated employees is based on employees' compensation in the immediately preceding year, this increase will not have any impact until 2006.
- The compensation amount for determining who is a key employee in a top-heavy plan has increased from \$130,000 to \$135,000. Since the identification of an employer's key employees is based on employees' compensation in the immediately preceding year, this increase will not have any impact until 2006.

Additionally, the Social Security Administration announced that the social security taxable wage base will increase from \$87,900 to \$90,000.

This is an archive of past issues. As a result, it may contain information that is not current.

ROBINSON & COLE^{LLP}