

Retirement Plan Limits for 2007

Increased limits. The following plan limits are increased for inflation effective January 1, 2007:

- *Defined benefit plans.* The limitation on the annual benefit under a defined benefit plan under Code Sec. 415(b)(1)(A) increases from \$175,000 to \$180,000. For participants who separated from service before Jan. 1, 2007, the 100% of average high-three-years' compensation under Code Sec. 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2006, by 1.0334.
- *Defined contribution plans.* The limit on the annual additions to a participant's defined contribution account under Code Sec. 415(c)(1)(A) increases from \$44,000 to \$45,000.
- *Elective deferrals.* The Code Sec. 402(g)(1) limit on the exclusion for elective deferrals described in Code Sec. 402(g)(3) increases from \$15,000 to \$15,500.
- *Annual compensation limit.* The maximum amount of annual compensation that can be taken into account for various qualified plan purposes, including Code Sec. 401(a)(17), Code Sec. 404(l), Code Sec. 408(k)(3)(C), and Code Sec. 408(k)(6)(D)(ii), increases from \$220,000 to \$225,000.
- *Key employee in top-heavy plan.* The dollar limit under Code Sec. 416(i)(1)(A)(i), relating to the definition of key employee in a top-heavy plan increases from \$140,000 to \$145,000.
- *ESOP five-year distribution period.* The dollar amount under Code Sec. 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan (ESOP) subject to a five-year distribution period increases from \$885,000 to \$915,000, while the dollar amount used to determine the lengthening of the five-year distribution period increases from \$175,000 to \$180,000.
- *Government plans.* The annual compensation limitation under Code Sec. 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993 allowed COLAs to the plan's compensation limit under Code Sec. 401(a)(17) to be taken into account, increases from \$325,000 to \$335,000.
- *SEPs.* The compensation limit under Code Sec. 408(k)(2)(C) (amount of compensation above which an employee who meets other requirements must be able to participate in the employer's SEP plan) increases from \$450 to \$500.
- *Deferred compensation plans.* The limit on deferrals under Code Sec. 457(e)(15), concerning deferred compensation plans of state and local governments and tax-exempt organizations, increases from \$15,000 to \$15,500.
- *Control employee.* The employee compensation amounts used in the definition of "control employee" for purposes of the auto commuting rule of Reg. § 1.61-21(f)(5)(i) increases from \$85,000 to \$90,000; and the compensation amount under Reg. § 1.61-21(f)(5)(iii) increases from \$175,000 to \$180,000.
- *SIMPLE accounts.* The maximum amount of compensation an employee may elect to defer under Code Sec. 408(p)(2)(E) for a SIMPLE plan increases from \$10,000 to \$10,500.

Unchanged limits. The following dollar limits are unchanged:

- *Highly compensated employee.* The dollar limit used in defining a highly compensated employee under Code Sec. 414(q)(1)(B) remains unchanged at \$100,000.

- *Catch-up contributions.* The dollar limit under Code Sec. 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Code Sec. 401(k)(11) or Code Sec. 408(p) for individuals aged 50 or over remains at \$5,000. The dollar limit under Code Sec. 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Code Sec. 401(k)(11) or Code Sec. 408(p) for individuals aged 50 or over remains at \$2,500.