



MOODY, FAMIGLIETTI & ANDRONICO

February 2009

Compensation and Benefits Tax Alert



2009 Retirement Plan Cost of Living Adjustments

The 2009 cost-of-living adjustments to the dollar limitations for qualified retirement plans and other items for the 2009 Tax Year, by both the Internal Revenue Service and the Social Security Administration have been updated. The increases/limitations in the qualified retirement plans and social security taxable wage and rates will impact the amount that can be contributed to a qualified retirement plan. Below is a recap of the limits.

Plan Limit	2008	2009
Maximum Elective 401(k) and 401(b) Contribution	\$15,500	\$16,500
Maximum Elective Deferral Catch-Up Contribution (for age 50+)	\$5,000	\$5,500
Maximum Elective SIMPLE Contribution	\$10,500	\$11,500
Maximum Elective SIMPLE Catch-up Contribution (for age 50+)	\$2,500	\$2,500
Maximum Annual Benefit from Defined Benefit Pension Plan	\$185,000	\$195,000
Maximum Annual Addition to Defined Contribution Account	\$46,000	\$49,000
Highly Compensated Employee:		
a. 5 percent owner, including relatives	Yes	Yes
b. Any employee, exceeding dollar amount in prior year	\$105,000	\$110,000
c. Top paid 20 percent group (if elected) exceeding	\$105,000	\$110,000
Maximum Annual Compensation Limit	\$230,000	\$245,000

If you would like to discuss the content of this Alert, please call:

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Social Security Base and Rates:

	2008	2009
Applicable to Each Employer and Employee		
OASDI Percentage	6.2%	6.2%
OASDI Wage Base	\$102,000	\$106,800
Maximun OASDI Withholding Tax	\$6,324	\$6,622
Medicare Percentage	\$1.45%	\$1.45%
Medicare Wage Base	No limit	No limit
Maximun Medicare Tax	No limit	No limit
Self-Employment Tax		
OASDI Percentage	12.4%	12.4%
OASDI Wage Base	\$102,000	\$106,800
Maximun OASDI Withholding Tax	\$12,648	\$13,243
Medicare Percentage	\$2.9%	\$2.9%
Medicare Wage Base	No limit	No limit
Maximun Medicare Tax	No limit	No limit

A self-employed individual continues to be allowed an income tax deduction for one-half of the individual's self-employment tax (both OASDI and Medicare portions).

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