



LEGISLATIVE UPDATE AND TAX REMINDERS

Recent Pension Changes

- All Plans in the U.S. have to be amended for GATT, USERRA, SBJPA and TRA97, collectively known as "GUST".

Not unexpectedly, the deadline to adopt the GUST amendments has been extended to the last day of the Plan Year which begins in calendar year 2000 (i.e. the earliest date would be December 31, 2000). We'll keep you informed.

- With the extension in the amendment period, the IRS also extended through 1999 the flexibility to use either the current or prior year Non-Highly Compensated percentage in testing a 401(k) for non-discrimination without locking you into a specific method.
- Remember the new definition of Highly Compensated
 - 5% owner in current or prior year
 - \$80,000 compensation in prior year

Elimination of Combined Plan Rules Effective Date

Although passed some time ago with a delayed effective date, the combined Plan rules under Code Section 415(e) are repealed as of the first day of the Plan Year beginning in 2000. Small Employers who have maximized contributions to their Defined Contribution Plans and are now older can switch to a Defined Benefit Plan and contribute substantial amounts.

401(k) Contribution Depositing Requirements

Under DOL rules, 401(k) contributions must be deposited as soon as possible, but not later than 15 working days after the end of the month during which the contributions were withheld. The DOL considers these contributions Plan assets, which would result in a prohibited transaction if not deposited within the time required by these rules.

IRS Dollar Limits for Retirement Plans

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Elective 401(k) and 403(b) deferrals	\$ 10,000	\$ 10,000	\$ 10,500
Maximum Defined Contribution limit	30,000	30,000	30,000
Maximum Defined Benefit limit	130,000	130,000	135,000
Maximum Compensation limit	160,000	160,000	170,000

Miscellaneous

- If you are still using your companies EIN for the Plan's Trust account, you will want to get an EIN for the Trust to avoid depositing deadlines and penalties for paper filings.
- Hardship distributions on or after 1/1/2000 are no longer Eligible Rollover Distributions and are therefore subject to voluntary income tax withholding.
- Sub-S pass through of income is not compensation for Plan purposes.
- Contributions must be made by your tax-filing deadline with extensions to be deductible and must be made within 8 ½ months of the Plan Year end if subject to Minimum Funding Standards.
- Controlled Groups are treated as a single employer for pension purposes.