



LEGISLATIVE UPDATE AND TAX REMINDERS

Sponsored by QBC, Inc.

“GUST” Amendments

The “GUST” amendment deadline was extended until 2/28/2002. Individually designed plans must be amended by the later of the end of Plan Year that begins in 2001 or 2/28/2002. If you have adopted the QBC prototype (or another supplier) you have a longer period of time, at least until 12/31/2002 to amend your Plan.

If you have an individually designed plan and have not yet amended for “GUST”, we will be contacting you shortly. If you have adopted a prototype we will be contacting you during the summer of 2002 to begin the amendment process.

Recent Pension Changes

The Economic Growth and Tax Relief Reconciliation Act of 2001, **EGTRRA**, is one of the most significant pension legislative acts ever ranking with ERISA 1974 and the Tax Reform Act of 1986.

EGTRRA provides enhancements in so many areas we can only briefly list the most significant, most of which are effective for Plan Years beginning in 2002.

- Compensation limits increased from \$170,000 to \$200,000
- Defined Contribution limits increased to 100% of salary to a maximum of \$40,000 plus catch-up contributions
- 401(k) contribution limits increased and catch-up contributions added for those over age 50.

YEAR	2002	2003	2004	2005	2006
401(k)	\$11,000	12,000	13,000	14,000	15,000
CATCH-UP (over age 50)	\$1,000	2,000	3,000	4,000	5,000

- Profit Sharing deduction limit increased from 15% of Salary to 25% of Salary with 401(k) contributions separately deductible.
- Defined Benefit limit increased from an annual benefit of \$140,000 payable at the Social Security Retirement Age to \$160,000 payable at Age 62.
- Plan loans allow for Self-Employed and Owner Employees.

Accepting Rollover Contributions

Effective 1/1/2002, EGTRRA allows for portability in rollovers among all types of deferred compensation plans – Qualified Plans, 457 Plans, 403(b) Annuities and IRA’s. But beware all of the details have not been worked out. So just stay with rollovers from like plans for now.

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 for which they were withheld. Although some DOL auditors agree with monthly deposits, some have been assessing prohibited transaction penalties and lost interest charges beginning 7 days after each payroll.

IRS Dollar Limits for Retirement Plans

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Elective 401(k) and 403(b) deferrals	\$ 10,000	\$ 10,500	\$ 10,500	\$ 11,000
Catch-up Contributions (over age 50)	N/A	N/A	N/A	1,000
Maximum Defined Contribution limit	30,000	30,000	35,000	40,000
Maximum Defined Benefit limit	130,000	135,000	140,000	160,000
Maximum Compensation limit	160,000	170,000	170,000	200,000

Miscellaneous

- New Minimum Distribution rules result is smaller required payments
- 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 all retirement plan purposes.
- Sub-S pass through income is not compensation for Plan purposes.