

October 2003

## IRS Announces 2004 Retirement Plan Limits

The Internal Revenue Service has announced cost-of-living adjustments applicable to dollar limitations for retirement plans for 2004. Most of the limitations have increased. Some of the limitations which increase do so as a result of the Economic Growth and Tax Relief Reconciliation Act ("EGTRRA"), enacted in 2001, rather than cost-of-living adjustment.

Changes include an increase in the 401(k) limit and the catch-up contribution limit, the amount of compensation a qualified plan can take into account and the maximum benefit payable from a defined benefit plan and the maximum contribution to a defined contribution plan. The dollar amount used in identifying highly compensated employees remains unchanged.

	2004 Limit	2003 Limit
401(k)/403(b) Contributions*	\$13,000	\$12,000
457(b) Limit	\$13,000	\$12,000
Catch-up Contributions	\$3,000	\$2,000
Compensation Limit**	\$205,000	\$200,000
Highly Compensated Employees**	\$90,000	\$90,000
Key Employee Officer Compensation**	\$130,000	\$130,000
Maximum Annual Benefit from a Defined Benefit Plan**	\$165,000	\$160,000
Maximum Annual Contribution to a Defined Contribution Plan**	\$41,000	\$40,000
ESOP Limits		
Dollar limit for determining lengthening of 5-year period	\$165,000	\$160,000
Dollar amount for determining max. amount subject to 5-year distribution*	\$830,000	\$810,000
FICA Wage Base***	\$87,900	\$87,000

\*Calendar year limitation.

\*\*For plan years beginning in calendar year.

\*\*\*Calendar year limitation for FICA withholding purposes and for plan years beginning in the calendar year for retirement purposes.

*If you have any questions or wish to discuss the application of these limits to your plan, please contact the Seyfarth Shaw LLP employee benefits group attorney with whom you regularly work or any employee benefits group attorney on the website at [www.seyfarth.com](http://www.seyfarth.com).*

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