

June 24, 2004

## Deferred Compensation Limits Move One Step Closer to Passage

On June 17, 2004, the House of Representatives approved legislation that would significantly restrict the use of nonqualified deferred compensation plans and arrangements. The restrictions in the House bill are very similar to those that were passed in May by the Senate, and the recent House action makes it almost certain that these restrictions will be enacted during 2004.

We previously described the two bills in our Management Alert issued on June 9, 2004. At the least, the legislation will drastically curtail voluntary deferral elections, and the times at which deferred compensation (whether or not voluntary) may be paid to key executives. Depending upon the final form of the legislation, additional restrictions, including limitations on permissible investment options, may also be included.

The most likely effective date for the new restrictions at this point appears to be January 1, 2005. If this legislation passes, almost all employers will need to review their deferred compensation arrangements by the end of 2004 to make sure that they comply with the new rules and avoid adverse tax consequences for participating executives.

You can get a jump start on this process by participating in the teleconference client briefing on the new legislation to be held by the Seyfarth Shaw LLP Employee Benefits and Executive Compensation practice group on Tuesday, June 29, at 1:00 P.M. central time. To register to participate in the free teleconference, go to our website at [www.seyfarth.com/events](http://www.seyfarth.com/events) or call Kristin Clayton at (312) 739-6430.