

November 2005

IRS Announces 2006 Retirement Plan and Inflation Adjusted Benefits

The Internal Revenue Service has announced cost-of-living adjustments applicable to dollar limitation for retirement plans and inflation adjusted limits for other benefits for 2006. Many of the limitations have increased from the 2005 limits. 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.

	2005 Limit	2006 Limit
401(k)/403(b) Contributions*	\$14,000	\$15,000
457(b) Limit	\$14,000	\$15,000
Catch-up Contributions	\$4,000	\$5,000
Compensation Limit**	\$210,000	\$220,000
Highly Compensated Employees**	\$95,000	\$100,000
Key Employee Officer Compensation**	\$135,000	\$140,000
Maximum Annual Benefit		
Defined Benefit Plan**	\$170,000	\$175,000
Maximum Annual Contribution		
Defined Contribution Plan**	\$42,000	\$44,000
ESOP Limits		
Dollar limit for determining lengthening of 5-year period*	\$170,000	\$175,000
Dollar amount for determining max. amount subject to 5-year distribution*	\$850,000	\$885,000
Maximum SIMPLE contribution	\$10,000	\$10,000
FICA Wage Base***	\$90,000	\$94,200
Maximum Social Security Benefit at Full Retirement Age	\$1,939/mo	\$2,053
Qualified Transportation Fringe Benefits - Code § 132		
Monthly limit for transportation in a commuter highway vehicle or transit pass	\$105	\$105
Monthly limit for qualified parking	\$200	\$205
Adoption Assistance Programs		
Maximum excludable from employee gross income	\$10,630	\$10,960
Exclusion phased out with modified gross income (starting at - ending at)	\$159,450 - \$199,450	\$164,410 - \$204,410

(Cont'd.)

	2005 Limit	2006 Limit
Health Savings Accounts		
High deductible health plan (HDHP) - minimum annual deductible		
Individual coverage	\$1,000	\$1,050
Family coverage	\$2,000	\$2,100
HDHP - maximum out-of-pocket limit		
Individual coverage	\$5,100	\$5,250
Family coverage	\$10,200	\$10,500
HSA monthly contribution - 1/12 lesser of annual deductible or statutory limit		
Self-only coverage limit	\$2,650 (\$220.83/mo)	\$2,700 (\$225/mo)
Family coverage limit	\$5,250 (437.50/mo)	\$5,450 (\$454.17/mo)
Catch-up contributions (age 55 or older)	\$600	\$700
Medical Savings Accounts (Archer)		
Health Plan limits - annual deductible (not less than/not more than)		
Individual coverage	\$1,750/2,650	\$1,800/2,700
Family coverage	\$3,500/5,250	\$3,650/5,450
Health Plan Limits - out-of-pocket maximum		
Individual coverage	\$3,500	\$3,650
Family coverage	\$6,450	\$6,650
Maximum contribution limits		
Individual coverage (65% of deductible)	\$1,137/1,722	\$1,170/1,755
Family coverage (75% of deductible)	\$2,625/3,937	\$2,737.50/4,087.50
Personal Income Tax Exemption (income limit on qualifying relative dependent under Code § 152)		
	\$3,200	\$3,300

* Calendar year limitation

** For plan years beginning in the calendar year. Also applicable to Code Section 409A.

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

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