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TAX UPDATE - October 2008

To Our Clients, Business Partners and Friends...

Given the economic and political environment we all find ourselves in these days, we thought that a straight-forward document (with no bull or bailout required) might be refreshing... So, here are some final reminders about relevant tax and benefit plan issues you should be aware of as we head into the final two months of the year.

Plan Amendment / Documentation under §409A

The December 31, 2008, deadline for nonqualified plan amendments is almost here. **All plans must be in full documentary compliance with IRC 409A laws and regulations by that date.**

Participant Elections under §409A

Nonqualified plan participants still have a window in 2008 to make final changes to their payout elections - without having to comply with the 5-year delay provisions, etc. under 409A. Many clients treated the 2007 elections this way, so our recommendation is to allow final, "clean-up" election changes in 2008 for any participants that require them.

Corporate Owned Life Insurance (COLI) Reporting

Companies that have purchased COLI policies after 8/17/06 are required to report the existence of their post-8/17/06 policies only. **An information return, Form 8925, must be filed with the purchasers' tax returns, on an annual basis, beginning with the 2007 tax year.**

2009 COL Adjustments for Qualified Plan Limits

The IRS recently announced the cost of living adjustments applicable to qualified pension and retirement savings plans. They are summarized below:

- Deferral limit for 401(k) and 403(b) plans will be \$16,500 (up from \$15,500 in '08)
- Annual Catch-up Contribution for participants age 50+ is now \$5,500 (up from \$5,000)
- Annual Defined Contribution Plan limit is \$49,000 (up from \$46,000 in '08)
- Annual Defined Benefit Plan limit will now be \$195,000 (up from \$185,000 in '08)
- Allowable Compensation under Pension Plans rises to \$245,000 (up from \$230,000)
- Highly Compensated Employee def'n. [under IRC 414(q)] is \$110,000 (from \$105,000)
- Social Security Wage Base moves up to \$106,800 (from \$102,000 in '08)

Thank you for the chance to be of service. Please let us know if we can provide you with any additional information related to these or other management compensation / benefit issues.

I'm Scott Rollin – and I approved this message... ☺