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TAX UPDATE - October 2009

To Our Clients, Business Partners and Friends...

It seems as though there is now some light at the end of the economic tunnel... So, here's hoping that it isn't attached to a train!!! But seriously folks, 2009 has been a milestone year for us at MCR. We celebrated our 10th anniversary in business - and enjoyed a record year of revenues! As always, we want to thank our valued clients for making that possible and hope that your business is also finding opportunities amidst the downturn. Many clients are telling us that 2010 looks more promising – assuming no more major economic shocks occur.

Corporate Owned Life Insurance (COLI) Proposals in Congress

You may have heard rumblings recently about proposed legislation that would essentially make COLI illegal except on owners and employees earning over \$1 million. Apparently, the “trigger” for this proposal was Michael Moore’s film about capitalism. I won’t comment on Mr. Moore’s filmmaking other than to say his portrayal of COLI is both false and outdated. Our advisors tell us that this proposal will never see the House floor – the life insurance industry just spent several years getting permanent rules put in place to regulate the use of COLI [enacted in 2006] and they aren’t about to let “Holly-weird” ruin their efforts.

Plan Amendment / Documentation under §409A

This is the last time you’ll hear about it from us... the January 1, 2009, deadline for full documentary compliance with IRC 409A laws and regulations for all nonqualified plans has now come and gone. This means that Plan participants can now only change their nonqualified plan payout elections more than 12 months in advance of leaving; and their payments must be delayed a minimum of five years. Please let us know if you need any additional clarity in this area.

2010 Cost-of-Living Adjustments

The IRS recently announced the cost of living adjustments applicable to qualified pension and retirement savings plans. They are summarized below and all are unchanged from 2009:

- Annual deferral limit for 401(k) and 403(b) plans is \$16,500;
- Annual Catch-up Contribution for participants age 50+ is \$5,500;
- Defined Contribution Plan annual contribution limit is \$49,000;
- Defined Benefit Plan annual benefit limit is \$195,000;
- Annual Allowable Compensation under pension plans is \$245,000;
- Highly Compensated Employee definition [under IRC 414(q)] is \$110,000; and
- The Social Security Wage Base remains at \$106,800.

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.