



DMLO TAX ALERT:

IRS and Social Security Hold the Line on Cost-of-Living Adjustments

On October 15, 2009, the Internal Revenue Service and the Social Security Administration announced there would be essentially no cost-of-living adjustments for 2010. The dollar limitations on benefits and contributions under qualified retirement plans will remain unchanged in 2010 because there was a decline in the cost-of-living index from September 30, 2008 to September 30, 2009.

Here are the specific limitation amounts for your reference:

Description	2009, 2010
Social Security maximum taxable earning (OASDI only)	\$106,800
Medicare maximum taxable earning (HI only)	No Limit
FICA Tax Percentage for Employees and Employers	7.65%
OASDI Social Security Tax Percentage for Employees and Employers	6.2%
Medicare Percentage Tax for Employees and Employers	1.45%
Retirement Earnings Test Exempt Amount- Under full retirement age (NOTE: \$1 in benefits will be withheld for every \$2 in earnings above the limit.)	\$14,160/yr.
Retirement Earnings Test Exempt Amount- the year an individual reaches full retirement age (NOTE: Applies only to earnings for months prior to attaining full retirement age. \$1 in benefits will be withheld for every \$3 in earnings above the limit.)	\$37,680/yr.
Maximum Elective 401(k), 403(b), 457(b)(2) and 457(c)(1) Limits (Excludes Catch-Ups) Contribution	\$16,500
Maximum Elective Deferral Catch-Up Contribution (for Age 50+)	\$5,500
Maximum Elective SIMPLE Catch-Up Contribution (for Age 50+)	\$2,500
Maximum Annual Benefit from 415 Limit for Defined Benefit Plans	\$195,000
Maximum Annual Benefit from 415 Limit for Defined Contribution Plans	\$49,000
Maximum Annual Compensation Limit	\$245,000
Annual Compensation Limit for Grandfathered Participants in Governmental Plans Following 401(a)(17) Limits (with Indexing) on July 1, 1993	\$360,000
Highly Compensated Employee 414(q)(1)(B)	\$110,000
Key Employee in Top Heavy Plan (Officer)	\$160,000
Maximum Elective SIMPLE Salary Deferral	\$11,500
Tax Credit ESOP Maximum Balance	\$985,000
Amount for Lengthening of 5-year ESOP Period	\$195,000