



IRS Announces Key Benefit Plan Limits for 2010

The IRS has issued a [news release](#) announcing the retirement plan limits for 2010, and [Revenue Procedure 2009-50](#), which contains 2010 limits for qualified transportation fringe benefits, adoption assistance programs, long-term care premiums, and medical savings accounts.

Retirement Plan Limits

Cost-of-living adjustments to the primary retirement plan limits follow the procedures under Internal Revenue Code Section 415(d), which are similar to those used to adjust benefit amounts under the Social Security Act. The cost-of-living index for the quarter ended September 30, 2009 was less than for the quarter ended September 30, 2008. However, following the procedures under the Social Security Act for adjusting benefit amounts, a decline in an index cannot result in a reduced limitation. Therefore, the 2010 retirement plan limits that are adjusted by reference to Section 415(d) will remain unchanged from 2009.

In the table below, we list the key 2010 limits (which are identical to 2009).

	<u>2010 (and 2009)</u>
§401(k)/403(b) Elective Deferral Maximum	\$ 16,500
§415 Defined Benefit Dollar Maximum	195,000
§415 Defined Contribution Annual Addition Maximum	49,000
§457(b) Nonqualified Deferred Compensation Limit	16,500
§401(a)(17) Annual Compensation Limit	245,000
§414(q) Highly-Compensated Employee Limit	110,000
§414(v) Catch-up Contribution Limit	5,500

For 2010, the Section 401(a)(17) annual compensation limit for certain grandfathered participants in governmental plans in existence on July 1, 1993 remains unchanged from 2009 at \$360,000.

Qualified Transportation Fringe Benefits

The monthly limits under Section 132(f) for tax years beginning in 2010 (which are identical to 2009) are:

	<u>2010 (and 2009)</u>
Commuter highway vehicle and transit pass	\$ 230
Qualified parking	230

Adoption Assistance Programs

For employer-provided adoption assistance programs, the maximum amounts excludible from an employee's income in 2010 (compared with 2009) for the adoption of a child (both for regular and special needs adoptions) are shown below. The excludible amount phases out for taxpayers with modified adjusted gross income that exceeds certain levels.

	<u>2010</u>	<u>2009</u>
Excludible amount	\$ 12,170	\$ 12,150
Phaseout income thresholds		
Phaseout begins	\$ 182,520	\$ 182,180
Phaseout complete	222,520	222,180

Long-Term Care Premiums

The limits under Section 213 for eligible long-term care premiums that qualify as medical expenses for tax years beginning in 2010 (compared with 2009) are shown below, based on attained age before the close of the taxable year.

	<u>2010</u>	<u>2009</u>
Age 40 or less	\$ 330	\$ 320
> 40 but ≤ 50	620	600
> 50 but ≤ 60	1,230	1,190
> 60 but ≤ 70	3,290	3,180
> 70	4,110	3,980

Health Savings Accounts

The 2010 limits for contributions to health savings accounts and for high-deductible health plans were released earlier this year. (See our May 15, 2009 [For Your Information](#).)

Medical Savings Accounts

Medical Savings Accounts (MSAs) are available to employees of small businesses and self-employed individuals if they participate in high-deductible health plans. The deductible limits and out-of-pocket limits in connection with these plans differ from those for HSAs.

For tax years beginning in 2010, the annual deductible for an MSA high-deductible health plan may not be less than \$2,000 and not more than \$3,000 for single coverage, and not less than \$4,050 and not more than \$6,050 for family coverage. Also, annual out-of-pocket expenses (exclusive of premiums) cannot exceed \$4,050 for single coverage and \$7,400 for family coverage.

Conclusion

Buck's consultants are ready to assist you with updating any documents and employee communications to reflect the adjusted 2010 amounts.

Our *For Your Reference*, a wallet-sized booklet showing retirement plan and other benefit limits and various Social Security and Medicare key figures, will be available shortly from your Buck consultant.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.