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Re: Cost of Living Increases - Dollar Limit Increases for 2012

Dear Clients and Other Friends:

The IRS has announced the cost of living adjustments for the various dollar limits that will apply to qualified plans and individual retirement accounts during 2012. The 2012 Social Security Wage Base has also been announced.

Unlike last year, most of the dollar limits for qualified plans and IRAs have been increased for 2012. This is because the increase in the cost-of-living index met the necessary threshold to trigger the adjustment. Moreover, increases in the consumer price index (CPI) triggered a 3.6% cost-of-living adjustment for Social Security and Supplemental Security Income for 2012. Some of the more frequently applied limits are listed below:

Qualified Plan Limitations	2012	2011
Qualified Plan Annual Compensation Limit	\$ 250,000	\$ 245,000
Elective Deferral Maximum Limit for 401(k), 403(b) and 457(b) Plans	\$ 17,000	\$ 16,500
Catch-Up Limit for 401(k), 403(b), and 457(b) Plans	\$ 5,500	\$ 5,500
Defined Benefit Plan Maximum Annual Pension	\$ 200,000	\$ 195,000
Defined Contribution Plan Maximum Annual Addition	\$ 50,000	\$ 49,000
Highly Compensated Employee (HCE)	\$ 115,000	\$ 110,000
Key Employee for Top-Heavy Plans	\$ 165,000	\$ 160,000
Social Security Taxable Wage Base	\$ 110,100	\$ 106,800

Additionally, the IRS has announced the cost of living adjustments for the various dollar limits that will apply to individual retirement accounts during 2012. Many of the dollar limits for IRAs have been increased for 2012. Contribution limits for individual contributions to Traditional, Roth or SIMPLE IRAs did not increase for 2012. Some of the more frequently applied limits are listed below.

IRA Limitations	2012	2011
Traditional or Roth IRA Contribution Limit	\$ 5,000	\$ 5,000
Traditional or Roth IRA Catch-Up Limit	\$ 1,000	\$ 1,000
Traditional IRA Full Deduction Eligibility – Modified Adjusted Gross Income Thresholds for Taxpayers who are Active Participants (AP) in Employer Retirement Plans	Single: ≤ \$58,000 Married, Joint: ≤ \$92,000 Married not AP, Spouse AP: ≤ \$173,000	Single: ≤ \$56,000 Married, Joint: ≤ \$90,000 Married not AP, Spouse AP: ≤ \$169,000
Roth IRA Eligibility Full Contribution – Modified Adjusted Gross Income Thresholds	Single: ≤ \$110,000 Married, Joint: ≤ \$173,000	Single: ≤ \$107,000 Married, Joint: ≤ \$169,000
SEP Maximum Annual Addition	Lesser of \$50,000 or 25% of participant's compensation up to \$250,000.	Lesser of \$49,000 or 25% of participant's compensation up to \$245,000.
SEP Minimum Compensation	\$ 550	\$ 550
SARSEP Plan Salary Elective Deferral Limits	\$ 17,000	\$ 16,500
SIMPLE Plan Salary Elective Deferral Limits	\$ 11,500	\$ 11,500
SIMPLE Plan Catch-Up Limit	\$ 2,500	\$ 2,500

These and other plan limitation dollar amounts are available on the IRS website at: <http://www.irs.gov/newsroom/article/0,,id=248482,00.html>. Select annual Cost of Living Adjustments are archived back to 1989 at: http://www.irs.gov/pub/irs-tege/cola_table.pdf. If you have any questions about the 2012 limits or any other matters, please contact us.

Very truly yours,

Holly A. Fistler

HAF/jks