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Re: 2010 Cost of Living Increases

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 2010. The 2010 Social Security Wage Base has also been announced. The dollar limits remain largely unchanged this year, as the cost of living index decreased between 3rd quarter 2008 and 3rd quarter 2009. In response, the IRS applied the Social Security Act's procedures for adjusting benefit amounts and did not reduce the dollar limits. Some of the more frequently applied limits are listed below:

Pension Plan Limitations	2010	2009
Qualified Plan Annual Compensation Limit	\$ 245,000	\$ 245,000
401(k) Plan Maximum Elective Deferral	\$ 16,500	\$ 16,500
401(k) Plan Catch-Up Limit	\$ 5,500	\$ 5,500
Defined Benefit Plan Maximum Annual Pension	\$ 195,000	\$ 195,000
Defined Contribution Plan Maximum Annual Addition	\$ 49,000	\$ 49,000
Highly Compensated Employee	\$ 110,000	\$ 110,000
Social Security Taxable Wage Base	\$ 106,800	\$ 106,800

These plan limitation dollar amounts that will apply to qualified plans and individual retirement plans, and more, are contained in IRS Notice 2009-94, available on the IRS website at: <http://www.irs.gov/newsroom/article/0,,id=214321,00.html>. Select annual Cost of Living Adjustments are archived back to 1989 at: http://www.irs.gov/pub/irs-tege/cola_table.pdf.

Additionally, the IRS has announced the cost of living adjustments for the various dollar limits that will apply to individual retirement accounts during 2010. Some of the more frequently applied limits are listed below:

IRA Plan Limitations	2010	2009
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: ≤ \$56,000 Married, Joint: ≤ \$89,000 Married not AP, Spouse AP: ≤ \$167,000	Single: ≤ \$55,000 Married, Joint: ≤ \$89,000 Married not AP, Spouse AP: ≤ \$166,000
Roth IRA Eligibility Full Contribution – Modified Adjusted Gross Income Thresholds	Single: ≤ \$105,000 Married, Joint: ≤ \$167,000	Single: ≤ \$105,000 Married, Joint: ≤ \$166,000
SEP Maximum Annual Addition	Lesser of \$49,000 or 25% of participant's compensation up to \$245,000.	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	\$ 16,500	\$ 16,500
SIMPLE Plan Salary Elective Deferral Limits	\$ 11,500	\$ 11,500
SIMPLE Plan Catch-Up Limit	\$ 2,500	\$ 2,500

If you have any questions about the 2010 limits or any other matters, please contact us.

Very truly yours,

Holly A. Fistler

HAF/jks