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October 29, 2010

Re: Cost of Living Increases - Mostly Unchanged for 2011

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 2011. The 2011 Social Security Wage Base has also been announced.

As with last year, the dollar limits remain largely unchanged. This is because the cost-of-living index for 3rd quarter 2010, although greater than 3rd quarter 2009, was still below the cost-of-living index for 3rd quarter 2008. In response, the IRS applied the Social Security Act's procedures for adjusting benefit amounts and did not reduce any dollar limits. Some of the more frequently applied limits are listed below:

Qualified Plan Limitations	2011	2010
Qualified Plan Annual Compensation Limit	\$ 245,000	\$ 245,000
Elective Deferral Maximum Limit for 401(k), 403(b), 457(b) and Thrift Savings Plans	\$ 16,500	\$ 16,500
Catch-Up Limit for 401(k), 403(b), 457(b) and Thrift Savings Plans	\$ 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

Additionally, the IRS has announced the cost of living adjustments for the various dollar limits that will apply to individual retirement accounts during 2011. The changes for 2011 primarily affect the Adjusted Gross Income phase-out ranges for deductions for taxpayers making contributions to Traditional and Roth IRAs. Some of the more frequently applied limits are listed below.

IRA Limitations	2011	2010
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: ≤ \$90,000 Married not AP, Spouse AP: ≤ \$169,000	Single: ≤ \$56,000 Married, Joint: ≤ \$89,000 Married not AP, Spouse AP: ≤ \$167,000
Roth IRA Eligibility Full Contribution – Modified Adjusted Gross Income Thresholds	Single: ≤ \$107,000 Married, Joint: ≤ \$169,000	Single: ≤ \$105,000 Married, Joint: ≤ \$167,000
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

These and other plan limitation dollar amounts are available on the IRS website at: <http://www.irs.gov/newsroom/article/0,,id=229975,00.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 2011 limits or any other matters, please contact us.

Very truly yours,

Holly A. Fistler

HAF/jks