LOREN D. STARK COMPANY, INC.
RETIREMENT PLAN CONSULTANTS & ADMINISTRATORS

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NEWSLETTER

New Limits and Cost of Living Adjustments (COLA) for 2009

The IRS has recently announced the latest limits for inflation and Cost of Living Adjustments (COLA) for 2009. The law requires that the IRS review and revise various tax provisions each year to keep pace with inflation. Virtually every taxpayer will be affected.

- **Defined Contribution Plans**
  Your maximum elective deferral limit has increased to $16,500.The catch up contribution limit is $5,500 for participants 50 years or older.The 415 annual limit on total contributions for 2009 is $49,000.

- **Defined Benefit Pension Plans**
  The annual benefit plan limit has been increased to $195,000.

- **IRA Contribution Limits**
  The individual contribution limit is $5,000 and the catch up limit is $1,000.

- **Highly Compensated Employee Compensation Limit**
  The compensation limit is now $110,000 to qualify as a Highly Compensated Employee (HCE).

- **Key Employee Compensation Limit**
  The compensation limit which defines a key employee (officer) is $160,000.

- **Social Security**
  The Social Security Taxable Wage Base has increased to $106,800.

- **So what does this mean to you?**
  The above referenced limits reflect changes to the more common forms of retirement vehicles. There are also new 2009 limits on 457 Plans, SIMPLE plans, and SEP's. IRS Section 401/404 has also increased the compensation limit for 2009.

All of these COLA limits can have a significant impact on your personal retirement strategies and those of your company. The professionals at Loren D. Stark Company, Inc. are prepared to personally examine and discuss your circumstances to ensure that the maximum benefit is available to you and your company.

The Worker, Retiree and Employer Recovery Act of 2008

On 23 December 2008 the President of the United States signed a bill into law entitled the Worker, Retiree and Employer Recovery Act of 2008. One of the elements of the bill that impacts many plan participants is the provision that will delay required minimum distributions from certain retirement accounts for one year and temporarily suspend an excise tax which is normally assessed on seniors who fail to take a required minimum distribution (RMD) from their retirement accounts.

Specifically, the bill places a one year moratorium on the required minimum distribution rules for 2009. The suspension is available to everyone who is required to make minimum distributions. However, this tax relief is for 2009 only. Unfortunately, its too late to help for 2008, so retirees will still have to take their RMD this year or face a stiff penalty from the IRS.

IRS Announces Enrolled Retirement Plan Agent (ERPA) Accreditation Program

Individuals who meet the necessary requirements will now be able to represent the taxpayer before the IRS on issues including:

- Determination letters.
- Plan corrections under the Employee Plan Correction Resolutions System (EPCRS).
- Master, Prototype and Volume Submitter programs.
- IRS Form 5300/5500 issues - but not with respect to actuarial forms or schedules.

IRS Reviews VCP Program

- On 8/14/08 the IRS issues new guidelines on The Voluntary Correction Program (VCP) for Retirement Plans via Employee Plans Compliance Resolution System (EPCRS) which allows employers & plan administrators to take a proactive role in fixing retirement plan mistakes.

- **The Current 3 Levels of Correction**
  Self-Correction Program (SCP) – to correct insignificant operational failures without notifying the IRS or paying a fee or sanction.
  Voluntary Correction Program (VCP) – allows a plan sponsor at anytime prior to an audit to pay a limited fee and receive IRS approval for a correction.
  Audit Closing Agreement (Audit CAP) – allows correction of failure or error identified by an audit and pay a sanction based on the nature and severity of the failure being corrected.

- The IRS has added flexibility to use SCP where mistakes are partially correct and have streamlined the application procedure under VCP for serveral common issues:

  Loan problems.
  Failure to make minimum distributions.
  Excess elective deferrals by participants Ineligible employees.

- EPCRS will include a sample application format with new application procedures to help in all other VCP applications.

- EPCRS makes it easier to correct loan errors under VCP and reduce the fee in many cases by 50%. EPCRS also will enable many more participants to bring delinquent loans back to compliance without incurring tax consequences that occur when treating a delinquent loan as a distribution.