

MEMO# 14221

December 13, 2001

IRS ANNOUNCES PENSION PLAN LIMITATIONS FOR TAX YEAR 2002

[14221] December 13, 2001 TO: PENSION MEMBERS No. 37-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 73-01 RE: IRS ANNOUNCES PENSION PLAN LIMITATIONS FOR TAX YEAR 2002 The Internal Revenue Service has issued the attached news release concerning dollar limitations applicable to pension plans that become effective January 1, 2002, under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), as well as certain cost-of-living adjustments. The news release first discusses the limitations reset or established by EGTRRA.¹ As to the increase in the dollar limitation for defined contribution plans under section 415(c)(1)(A) from \$35,000 to \$40,000, the news release notes that the limitation for defined contribution plans with non-calendar limitation years beginning before January 1, 2002, and ending after December 31, 2001, remains unchanged at \$35,000. In addition, the news release addresses certain limitations that were not affected by EGTRRA, including the following: • The limitation used in the definition of highly compensated employee under section 414(q)(1)(B) is increased from \$85,000 to \$90,000; and • The compensation amount under section 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$450. Kathy D. Ireland Associate Counsel Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 14221, or call the ICI Library at (202) 326-8304 and request the attachment for memo 14221. ¹ For a full discussion of EGTRRA's effects on various dollar limitations, see Institute Memorandum to Pension Members No. 21-01 and Pension Operations Advisory Committee No. 35-01, dated May 31, 2001.