

Special Edition
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employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service
Tax Exempt and Government
Entities Division

A Publication of Employee Plans

National Save for Retirement Week

On September 13, 2006 the Senate unanimously passed [S.R. 550](#) designating October 22 through October 28, 2006 as "National Save for Retirement Week." The resolution, sponsored by Senators Gordon Smith (R-OR) and Kent Conrad (D-ND), supports the goal of increasing retirement savings by raising public awareness of the importance of adequate savings and the availability of employer sponsored retirement plans.

The Internal Revenue Service and Department of Labor also support the goal and have information and resources to educate business owners about retirement savings options and to help them start and operate a retirement plan.

Why Offer a Retirement Plan?

Saving through an employer retirement plan is one of the easiest ways for employers and employees to save. Starting a retirement plan can be easier than many business owners realize and there are plans that will work for all sizes and types of businesses. For example, some plans will allow the employer and employees to save more toward retirement, while others have minimal paperwork and filing requirements, or allow the employer to vary contributions each year. Different types of retirement plans offer different advantages.

There are a number of reasons why an employer would want to offer a retirement plan. It will help attract and retain good employees for the business by offering competitive benefits. Offering a retirement plan can provide an employer with important tax advantages. Contributions to the plan may be deductible, so less tax may be paid. Employer and employee contributions, if permitted by the plan, are not taxed until they are distributed. Finally, the earnings on contributions can grow tax-deferred.

Today, there are more incentives to start and participate in a retirement plan. Recent tax-law changes have increased the contribution amounts that are deductible for 401(k) plans and IRAs, for example. Participants age 50 or older can save additional amounts to help catch up on their savings as they near retirement.

In addition to being able to deduct contributions, small employers can claim tax credits for the cost of setting up certain plans. Tax credits for low and moderate-income savers are available based on a person's adjusted gross income. So, as you can see, saving through a retirement plan is a win-win proposition!

How We Can Help

The Internal Revenue Service and Department of Labor are committed to working to assist employers and service providers by providing publications, web site resources, outreach and telephone assistance to help in understanding different plan options and complying with federal retirement plan law.

The Department of Labor and the IRS developed the publication [**Choosing a Retirement Solution for Your Small Business**](#) to help businesses that do not have a retirement plan learn more about the different plan options, their key advantages and requirements. In addition, there is more detailed information, including what is involved in setting up and operating the specific plans, in these joint Department of Labor/IRS publications:

[**401\(k\) Plans for Small Businesses**](#), Publication 4222
[**SIMPLE IRA Plans for Small Businesses**](#), Publication 4334
[**SEP Retirement Plans for Small Businesses**](#), Publication 4333 and
[**Payroll Deduction IRAs for Small Businesses**](#).

These can be found on both the Department of Labor and the IRS web sites.

The Department of Labor holds seminars to help small businesses and their accountants understand the retirement plan options. It also has publications and holds seminars to help employers after they set up a plan comply with their fiduciary responsibilities under federal retirement plan law. In addition, the Department of Labor has several publications that employers can give to their employees to help them get started saving in the plan: [**Savings Fitness: A Guide to Your Money and Your Financial Future**](#), [**Top 10 Ways to Prepare for Retirement**](#), and [**Taking The Mystery Out of Retirement Planning**](#).

The IRS has forms and publications that provide additional information on retirement plans, including:

[**Lots of Benefits**](#), Publication 4118
[**Retirement Plans for Small Business \(SEP, SIMPLE, and Qualified Plans\)**](#), Publication 560
[**Individual Retirement Arrangements \(IRAs\)**](#), Publication 590
[**Individual Retirement Arrangement \(IRA\) Resource Guide for Small Business Owners and Individuals**](#), Publication 4395
[**Credit for Small Employers Pension Plan Startup Costs**](#), Form 8881
[**Credit for Qualified Retirement Savings Contributions**](#), Form 8880

These forms and publications, along with additional retirement plan information, can be found on our web sites.

DOL: www.dol.gov/ebsa or call: 1-866-444-EBSA (3272)

IRS: www.irs.gov/ep or call: 1-800-TAX-FORM (1-800-829-3676) ■

IRS Names New Head for Employee Plans Rulings & Agreements

The Internal Revenue Service announced on October 13, 2006 the selection of Andrew E. Zuckerman as the new Director of Employee Plans Rulings & Agreements. In this position, Zuckerman will be responsible for developing and managing the IRS's up-front compliance programs for Employee Plans, including the EP voluntary compliance programs, the determination letter program and the development of guidance and rulings.

Zuckerman replaces Joseph Grant, who was recently named Director of Employee Plans.

Zuckerman comes back to Employee Plans from his position as the Wage & Investment division's Field Director for Accounts Management for the IRS Philadelphia Campus. He has also served as the Assistant to the Director of Pre-Filing and Technical Guidance in the IRS's Large and Mid-Size Business division, and as the Director of the Federal, State and Local Governments in the Tax Exempt and Government Entities division. His private sector experience includes working as an attorney and a consultant for more than 19 years in law, accounting and actuarial consulting firms specializing in tax, ERISA, employee benefits, executive compensation and employment tax law. His Employee Plans' experience includes working for EP Technical and the Legislative Analysis division during the early years after the enactment of ERISA and then returning to Employee Plans after his private sector experience.

Zuckerman will begin his new assignment in EP in mid-November. For additional information see [IR-2006-158](#). ■

They're Here: The 2007 Dollar Limitations!

The 2007 retirement plan dollar limits were released on October 18, 2006. Once again, we've gathered all the dollar limit numbers and put them on the [Retirement Plans Community web page](#) where you'll find the dollar limits starting in 2000 and continuing all the way through 2007. Or, if you just want to see the 2007 numbers, click on [2007 COLA News Release](#).

We have all your favorite limits. You'll find the deferral limit for 401(k) plans (\$15,500) and the section 401(a)(17) compensation limit (\$225,000). The dollar limitation for catch-up contributions for individuals aged 50 or over remains unchanged (\$5,000 or \$2,500, depending on the type of plan). We also include - as part of this special offer - some lesser known figures. For example, the chart has the compensation amount under section 408(k)(2)(C) for SEPs (\$500) and the amount for determining who is a "Key Employee" - as defined in Internal Revenue Code section 416 - increased in 2007 from \$140,000 to \$145,000.

So, if you want to see if your 2007 COLA is flat or bubbly, click on [COLA Table](#) or go to the [Retirement Plans Community web page](#), click on "Published Guidance" and go to "Cost-of-Living Adjustment Increases." ■

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