

January 4, 2011

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From: Susan M. Kinal

Following are the updated limits and/or amounts relative to payroll processing for **2011**:

- 1) The foreign earned income exclusion is increased to **\$92,900**.
- 2) The social security tax rate for employees is reduced to 4.2%. The social security tax rate for employers remains at **6.2%**. The wage ceiling for both employees and employers remains at **\$106,800**. Therefore, the maximum social security tax to be withheld from **employees** is **\$4,485.60** and the maximum social security tax to be paid by **employers** is **\$6,621.60**.
- 3) The Medicare tax rate continues at **1.45%** with no wage ceiling.
- 4) The withholding allowance per exemption for a monthly payroll is **\$308.33**.
- 5) The maximum retirement plan salary deferral for 2011 is generally **\$16,500**. (There is an exception for employees who will reach age 50 by 12/31/11. They may defer an **additional \$5,500** for 2011.)
- 6) The maximum retirement plan employer's share for 2011 is **\$24,500**. The maximum compensation limit remains at **\$245,000**.
- 7) The maximum combined retirement plan amount – including employee reduction, employee deduction and employer contribution – for 2011 is **\$49,000**. This is calculated as the lesser of a) 100% of compensation or b) \$49,000. The catch up contribution of \$5,500 for individuals over age 50 is **NOT** included in this limit.

Let me know if you have any questions.



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# Regulatory limits for 2011

Vanguard Strategic Retirement Consulting annual reference to important limits and dates\*

Important limits	2009	2010	2011
IRC §402(g) limit on 401(k) and 403(b) elective deferrals	\$ 16,500	\$ 16,500	\$ 16,500
457 plans	\$ 16,500	\$ 16,500	\$ 16,500
Catch-up contribution limit for employees 50 and older in 401(k), 403(b), and 457 plans	\$ 5,500	\$ 5,500	\$ 5,500
SIMPLE 401(k)/IRA	\$ 11,500	\$ 11,500	\$ 11,500
SIMPLE catch-up contribution limit	\$ 2,500	\$ 2,500	\$ 2,500
Annual limit on compensation	\$ 245,000	\$ 245,000	\$ 245,000
Highly compensated employee threshold	\$ 110,000	\$ 110,000	\$ 110,000
Limit on annual benefit payments under a defined benefit plan	\$ 195,000	\$ 195,000	\$ 195,000
Limit on annual additions to a defined contribution plan	\$ 49,000	\$ 49,000	\$ 49,000
Social Security wage base	\$ 106,800	\$ 106,800	\$ 106,800

Return of excess amounts	Description	Due date
Excess deferral IRC §402(g)	<p>Deferrals in excess of \$16,500 (2011)</p> <ul style="list-style-type: none"> <li>If distributed by April 15 following the year the excess is realized, the excess deferral is included in income in the year of deferral. The corresponding earnings are included in income in the year of distribution.</li> <li>If not distributed by April 15, corrective distribution may be made if certain conditions are satisfied. Excess deferrals will be taxed twice—once in the year of deferral and once in the year of distribution. If excess is in one or more plans of the same employer, a disqualification condition exists.</li> </ul>	April 15
Excess contribution IRC §401(k)	<p>401(k) contributions that fail ADP test</p> <ul style="list-style-type: none"> <li>Return of excess contributions and earnings that are taxable in the year of distribution.</li> <li>If returned more than 2½ months** after the end of the plan year, employers are subject to a 10% excise tax on the refund. Excess contributions must be corrected by the end of the next plan year or a disqualification condition exists.</li> </ul>	March 15 (for calendar-year plans)**
Excess aggregate contribution IRC §401(m)	<p>401(m) contributions that fail ACP test</p> <ul style="list-style-type: none"> <li>Return of excess aggregate contributions and earnings are taxable in the year of distribution.</li> <li>If returned more than 2½ months** after the end of the plan year, employers are subject to a 10% excise tax on the refund. Excess aggregate contributions must be corrected by the end of the next plan year or a disqualification condition exists.</li> </ul>	March 15 (for calendar-year plans)**
Excess annual addition IRC §415(c)	<p>Amounts in excess of \$49,000 (2011)</p> <p>A disqualification condition exists if an excess annual addition is made. However, excess amounts due to the allocation of forfeitures, a reasonable error in estimating compensation, or determining the maximum salary deferral may be corrected in accordance with the procedures in the Employee Plans Compliance Resolution System.</p>	Generally December 31 for plans with calendar-year limitation year

Important requirements	Description	Due date
Deposit of employee contributions	Employee contributions must be deposited in trust the earliest that the contributions can be reasonably segregated from the employer's assets, but no later than the 15th business day of the month following the month in which the participant contributions are withheld.	No later than the 15th business day of the following month
Form 5500 (including Schedule B for defined benefit plans)	<p>Due at the end of the seventh month after the end of the plan year.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>A 2½-month extension can be obtained automatically by filing Form 5558 before the due date for Form 5500. An automatic extension may be granted until the due date of the employer's federal tax return if certain requirements are met.</li> <li>For a short plan year, file the form and applicable schedules by the last day of the seventh month after the short plan year ends.</li> </ol>	July 31 for calendar-year plans (October 15 with an extension)
Summary annual report	Summary of Form 5500 that includes a basic financial statement of the plan. Due two months after Form 5500 is due, including extensions.	September 30 for calendar-year plans (unless extended)
Summary plan description	Easily understood plan description required to be delivered to all participants and beneficiaries.	Within 90 days after individual becomes a participant or beneficiary Updated once every five years to reflect plan amendments
Summary of material modification	Description of changes to the information contained in the summary plan description, as well as any material modification to the plan.	Within 210 days after the end of the plan year in which the change was made
PBGC Form 1-ES	Used to pay the estimated flat-rate premium for defined benefit plans with 500 or more participants.	The last day of the second month in the premium payment year
PBGC Form 1 and Schedule A or PBGC Form 1-EZ	Used by defined benefit plans with fewer than 500 participants for total premium payments, and by defined benefit plans with 500 or more participants, to reconcile the estimated payment made with PBGC Form 1-ES, to the actual final payment amount due. Schedule A (to Form 1) is used to determine the additional variable-rate premium.	October 15 of the premium payment year (for calendar-year plans)

Note: The regulatory limits did not change for 2011.

\* This is a reference for the most frequently asked questions regarding dates and limits. This does not represent all important dates and limits. As always, pension limits are subject to change in the event new pension legislation is enacted.

\*\* A plan with an eligible automatic contribution arrangement may make corrective distributions by June 30 (for calendar year plans).