



Comp & Benefits News

BDO Seidman, LLP
Accountants and Consultants

SUBJECT:

2004 Retirement Plan Cost of Living Adjustments

ISSUE:

In addition to recently announced cost-of-living adjustments for qualified retirement plans by both the IRS and the Social Security Administration, there have also been automatic, Federally mandated increases to various Plan Limits arising out of the Economic Growth and Tax Relief Reconciliation Act of 2001. We thought you might find it helpful to have a recap of all these limits consolidated in one place.

Plan Limit	2003	2004
Maximum Elective 401(k) and 403(b) Contribution	\$12,000	\$13,000
Maximum Elective Deferral Catch-Up Contribution (for age 50+)	\$2,000	\$3,000
Maximum Elective SIMPLE Contribution	\$8,000	\$9,000
Maximum Elective SIMPLE Catch-Up Contribution (for age 50+)	\$1,000	\$1,500
Maximum Annual Benefit from Defined Benefit Pension Plan	\$160,000	\$165,000
Maximum Annual Addition to Defined Contribution Account	\$40,000	\$41,000
Highly Compensated Employee:		
a 5% Owner, including relatives	Yes	Yes
b Any Employee, exceeding dollar amount in prior year	\$90,000	\$90,000
c Top-Paid 20% Group (if elected) Exceeding	\$90,000	\$90,000
Maximum Annual Compensation Limit	\$200,000	\$205,000

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The Compensation & Benefits Practice at BDO is a full service advisory practice with extensive experience in Benefits Administration and Compliance.

Material Discussed in this newsletter is meant to provide general information and should not be acted on without obtaining professional advice tailored to your firm's individual needs.

*With the rules changing daily, you can rely on BDO Seidman's
Comp & Benefits Practice to guide you through it all...*

SOCIAL SECURITY BASE & RATES:

	2003	2004
Applicable to Each Employer & Employee		
OASDI Percentage	6.2%	6.2%
OASDI Wage Base	\$87,000	\$87,900
Maximum OASDI Withholding Tax	\$5,394.00	\$5,449.80
Medicare Percentage		
Medicare Percentage	1.45%	1.45%
Medicare Wage Base	No Limit	No Limit
Maximum Medicare Tax	No Limit	No Limit
Self-Employment Tax		
OASDI Percentage	12.4%	12.4%
OASDI Wage Base	\$87,000	\$87,900
Maximum OASDI Withholding Tax	\$10,788.00	\$10,889.60
Medicare Percentage		
Medicare Percentage	2.9%	2.9%
Medicare Wage Base	No Limit	No Limit
Maximum Medicare Tax	No Limit	No Limit

A self-employed individual continues to be allowed an income tax deduction for one-half of his self-employment tax (both OASDI and Medicare portions).

Regional Practice Leadership

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