

ADVISORY

SULLIVAN & WORCESTER LLP BENEFITS BRIEF

IRS ANNOUNCES KEY 2007 INDEXED LIMITS

The table below summarizes the most widely used limits relating to qualified plans and includes both the 2006 and 2007 amounts, which the IRS has just announced.

	2006	2007
Compensation limit	\$220,000	\$225,000
Section 415(b) limit	\$175,000	\$180,000
Section 415(c) limit	\$44,000	\$45,000
Section 402(g)/401(k) limit	\$15,000	\$15,500
Catch-up contributions	\$5,000	\$5,000
HCE threshold	\$100,000	\$100,000
Taxable wage base	\$94,200	\$97,500

Medicare Part D Notice

Employers sponsoring group health plans that include prescription drug coverage are reminded of an obligation to issue a Notice of Creditable Coverage relating to that coverage before November 15, 2006. (The Notice must be provided annually prior to November 15 and at other times, such as upon enrollment.) The Notice provides information for Medicare-eligible individuals and is designed to help them understand their employer-based prescription drug coverage as they evaluate their options under the Medicare Part D prescription drug program. A sample Notice, updated from last year, is available on the Centers for Medicare & Medicaid Services website (<http://www.cms.hhs.gov/CreditableCoverage>).

In addition, employers must also inform CMS about the prescription drug coverage provided. This is an annual disclosure obligation, generally made within 60 days of the beginning of the plan year and at various other times, such as after a change in creditable coverage status. The disclosure to CMS can only be submitted electronically via the CMS website (<https://www.cms.hhs.gov/apps/ccdisclosure/default.asp>).

For the most part, we would expect insurers and third-party administrators to assist employers in meeting these obligations.

October 2006

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